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ABSTRACT

This document presents testimony and statements from one of a series of Congressional field hearings intended to critically review all the programs associated with the Higher Education Act of 1965. Among issues addressed in the testimony and prepared statements are: how the United States can maximize the number of students, including non-traditional students and first generation students, in postsecondary education; how the United States can encourage more students to pursue graduate studies, including women and minorities in under-represented fields; means of improving the financial aid system in order to reach the entire spectrum of middle America; ways of improving educational quality; and means of allowing students to choose from among the entire spectrum of postsecondary opportunities while minimizing loan defaults. The testimony and statements also include numerous observations concerning the status of higher education in the State of Wisconsin. Persons testifying including the governor of the state the Hon. Tommy G. Thompson as well as top administrators from several Wisconsin universities and colleges, two directors of financial aid, the director of the Wisconsin Board of Vocational Technical and Adult Education, and several students. Forty prepared statements, letters, and supplemental materials are included. (GLR)

ED341330

OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: MADISON, WISCONSIN

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

HEARING HELD IN MADISON, WI, JULY 19, 1991

Serial No. 102-69

Printed for the use of the Committee on Education and Labor

HE 025 228

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

FRIDAY, JULY 19, 1991

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Madison, WI.

The subcommittee met, pursuant to call, at 9:34 a.m. in the Madison Area Technical College, Downtown Education Center, 211 N. Carroll Street, Room D-240, Madison, Wisconsin.

Members present: Representatives Sawyer, Goodling, Petri, Gunderson and Klug.

Staff present: Tom Wolanin, staff director and Maureen Long, legislative associate.

Mr. Sawyer. Although it is my privilege to be here in Scott Klug's Congressional District, it is my responsibility to welcome us all here for this hearing on the reauthorization of the Higher Education Act.

It is an enormous task that is going to decide some pretty fundamental questions, like who will have access to postsecondary education, where they will study, what they will study, how they will pay for their education.

These are not just inside-the-beltway questions. In fact, although we have had many hearings inside the beltway, the truth of the matter is that some of the most interesting, creative, innovative, insightful testimony that we have had has been a product of the extensive field hearing schedule that we have had. I am confident that the experiences of those of you who work daily in the whole arena of higher education in the State of Wisconsin will provide particularly valuable insight, if for no other reason than Wisconsin offers so many varied higher education opportunities.

Your concerns in the testimony that we have seen submitted cover the whole spectrum. How we can maximize the number of students including non-traditional students and first generation students, how we can encourage more students to pursue graduate studies including women and minorities in under-represented fields. How to improve the financial aid system so that it reaches into the whole spectrum of middle America, without sacrificing our commitment to those who are most needy. And how to allow students to choose among the whole spectrum of postsecondary opportunities while minimizing loan defaults.

This is the 37th of what I think are now 44 scheduled hearings on this topic. By the time we finish our hearings, we will thoroughly review all the programs in the Higher Education Act.

I do not think that there is a more important undertaking that the Congress is involved in this year. It is not unlike a period of time 100 years ago when the Nation was undergoing a very fundamental change, and the emergence of higher education in our country really defined America into the 20th century. I think no less is at stake right now. We really need to make sure that postsecondary education is available for every American who wants to take advantage of it—students from low-income families as well as those from traditional middle-class families whose college choices have become limited or even denied. Family income is just simply not able to keep up with skyrocketing costs of higher education.

We also need to understand the importance of additional training for workers whose jobs are changing under their very feet, and make postsecondary opportunities available to older students with families and jobs who must pursue their education part time.

A lot of programs will be changed in the course of this consideration, some will remain essentially the same, but none will go unexamined.

Your testimony today, your presence is a key element as we work to enhance opportunities for all Americans.

Let me just say before I turn to my colleague from Pennsylvania that the prepared statements of all witnesses will be included in full in the record. In addition, we will be entertaining additional statements for inclusion in the record from Father Albert Diulio, President of Marquette University; Thomas G. Pfeiffer, Coordinator of Financial Aid, University of Wisconsin Centers and statements from students from the United Student Council.

[The statements referred to follow:]

University of Wisconsin Centers

Student Financial Aid
150 E. Gilman St.
P.O. Box 8680
Madison, WI 53708-8680
(608) 262-5928

July 19, 1991

To: Congressmen Gunderson, Klug, and Petri

From: Thomas G. Pfeiffer, Coordinator of Financial Aid - University of Wisconsin Centers

Thomas G Pfeiffer

Re: Issues for 7/19/91 Congressional Hearing on Reauthorization

I wish to provide you with some thoughts on the Reauthorization of the Higher Education Act of 1965. I have worked as a financial aid administrator for fourteen years. While there are many areas of the Act that will be addressed, I am focusing on a few that I feel merit special attention by the Postsecondary Education Committee. I have sorted my comments into general categories for your convenience. I believe that each of these issues focuses on areas that can have a substantial impact on the integrity and effectiveness of these important programs, and would serve to enhance access to higher education.

NEED ANALYSIS

The following changes are needed in the formulas/regulations that are used to determine the financial need of the applicant.

A) There should be only one method to calculate family contribution, rather than the duplicative Pell and Congressional Methodology (CM) formulae currently used. Such a change would reduce errors, confusion, and processing time.

B) The calculation of a contribution from the dependent student's earnings needs to be modified so that working low income dependent students are once again eligible for grant funding. Currently, such a large percentage of their prior year's earnings are considered a "resource" for the academic year that they tend to show artificially low need and lose out on scarce grant funds.

C) The definition of an independent student should be revised. Students are asked to answer questions regarding their own resources and to provide tax returns for years as far back as 1985! This definition is confusing, cumbersome, and unduly restrictive. Resource and tax return data should only be requested for the two most recent calendar years prior to the award year.

(over)

GRANT PROGRAMS

A) The SEOG program should be returned to its former status as a grant for high need students independent of any restrictions linking the awarding of SEOG to the receipt of a Pell Grant. This was the only federal grant which allowed any discretion in awarding procedures, until the current regulations were implemented a few years ago.

LOAN PROGRAMS

A) Change the calculation of student loan defaults to have them be based on the $ amount of defaulted loans rather than the number of defaulted loans. Such a change would provide a positive incentive for institutions to lower their default rates, and would result in more institutional oversight of the amount of loans borrowed. Currently, many institutions offer students the maximum Stafford Loan for which they are eligible. We stopped this practice at UW Centers about three years ago, and have halved the dollars borrowed as a result. Fewer dollars borrowed means fewer dollars in default at some future date. Other positive incentives could be implemented to reward institutions that are successful at lowering their default rates.

B) Allow loans for short periods of enrollment (such as summer school) to be singly disbursed rather than the current requirement that all loans, regardless of the enrollment period, be multiply disbursed.

C) Institutions with low default rates should be exempted from provisions that currently mandate a 30 day delay in the disbursement of Stafford and SLS Loans to first time borrowers. This provision is burdensome on students in need of funds at the beginning of the school term, and was initiated as a "default prevention" measure based upon the high numbers of drop-outs in the first month at high default institutions.

Thank you for providing me this opportunity to briefly communicate my thoughts on the important task you are undertaking. I would be happy to expound on any of these or other issues at your convenience.

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TESTIMONY OF

ALBERT J. DIULIO, S.J.

PRESIDENT

MARQUETTE UNIVERSITY
MILWAUKEE, WISCONSIN

FOR THE

POSTSECONDARY EDUCATION SUBCOMMITTEE

OF THE

HOUSE EDUCATION AND LABOR COMMITTEE

It is my understanding that most postsecondary education representatives providing testimony during the reauthorization process tend to concentrate on student financial aid in their comments to the Subcommittee. While we at Marquette certainly will not deny the significance of Congressional concentration on this area, I would like to address another immediate and critical concern at my type of university; the issue of crime, security and deterioration on and near our urban campus.

Marquette has experienced five tragic reminders of this increasingly serious problem in the past six years: the killings of five of our students. While none of those deaths occurred on our campus, they all occurred in the community immediately surrounding Marquette, adjacent to downtown, Milwaukee where many of our students live. The latest death, the January 14th murder of Mario Gonzalez, a 22-year-old senior at Marquette's Engineering School who was just months from becoming the first in his family of immigrants from Mexico City to earn a college diploma, occurred outside a Marquette fraternity house, when Mario was shot to death by a drunken 15-year-old boy who wanted Mario's portable radio.

We at Marquette are not alone in facing the critical and growing problem of campus crime. In fact, crime rates are accelerating in cities across the United States, and urban universities nationwide are faced with a similar crisis. According to a recently published survey, one in three college students will be the victim of a crime during their collegiate experience. As a result, America's urban colleges and universities can no longer attract students simply on the strength of the rich array of social and cultural experiences their metropolitan settings offer; today, they must first demonstrate their ability to offer students a reasonable level of personal safety.

I know that Congress is well aware of this problem. Last year, during hearings on this topic during the consideration of the Student Right-to-Know and Campus Security Act, the friends and parents of students victimized on and near their campuses recited their personal tragedies, and the Congress enacted legislation to ensure that future students would have all the information they need to make informed decisions about which college to attend.

I believe that urban universities can and should do more; I believe that rather than simply informing students about skyrocketing crime rates on and near their campuses, urban universities should utilize their significant academic, human, and financial resources, in partnership with their communities, to actually reduce those rates. Marquette has developed a plan to take that step: The Marquette University/Neighborhood Partnership Program.

The Marquette Plan will bring students, faculty, and staff together with members of our neighborhood community in a coordinated effort to address not only the issue of crime on and near our campus, but also the root causes of that crime: the increasing economic deterioration of our inner city, and with it, increased poverty, unemployment, adult illiteracy, drug and alcohol abuse, and school dropout and teenage pregnancy rates.

We are also convinced that our approach fulfills the mandate the Congress provided to colleges and universities in Title XI of the Higher Education Act Amendments of 1986, when it noted that "there is a need for more systematic and comprehensive efforts to link postsecondary education institutions with State and local Governments, labor, business, industry, and community organizations, in order to meet local problems, and to plan, maintain, and attract lasting economic improvement," that "effective economic development is enhanced by the active participation of postsecondary institutions," that "the economic vitality and international competitiveness of the United States depends on using all available resources," and that "Federal leadership is critical to promoting such competitive efforts."

Finally, we believe that our program is replicable, and thus will be able to stand as a model to other urban institutions of higher education across the nation faced with the critical problem of crime and decay surrounding their campuses, by demonstrating methods for utilizing their resources in partnership with their neighbors, to the benefit of their community, their faculty, and their students.

The Marquette Plan

On May 1, 1991, the Marquette University President's Security Task Force issued recommendations for improving security and preventing crime on Marquette's campus and in its community, through a two-pronged effort of enhanced student safety and safety awareness and increased participation by Marquette students, faculty, and staff in community development.

Those recommendations, the framework for Marquette's University/Neighborhood Partnership program, reflect the spirit of community involvement and social responsibility that is an integral part of the Marquette University educational philosophy, and represent a positive, productive approach to addressing a critical problem among urban universities in America today that may be replicated on campuses across the nation.

The program has four principle components: campus security, neighborhood development, community services, and educational outreach.

Improvements to campus security will include expanded educational efforts to better prepare incoming first year and transfer students, and upperclassmen moving to off-campus housing for the possibility of criminal encounters on and near the Marquette campus, increased and more visible campus security patrols, and expanded student escort and shuttle programs.

In addition, working with an independent campus planning firm, the University will undertake a series of physical improvements to the campus that, without walling in the campus or otherwise isolating it from the surrounding community, will better define Marquette's perimeters and sphere of influence, and discourage loitering, vandalism, and other more serious criminal activities within that sphere, through the use of banners, gates, increased and uniform lighting apparatus, and landscape design.

To further encourage stability and development in the neighborhood, the University will work with members of the community to bring about changes to City of Milwaukee zoning regulations to address the problems of absentee ownership and short-term tenancy and encourage and reward long-term residence in single family homes of families and other stable community members, as well as increased numbers of Marquette faculty members, staff and other employees.

In addition, through our student-sponsored housing rehabilitation chapter of Habitat for Humanity, Marquette will continue to assist its neighbors in improving the appearance and structural integrity of their homes, and expand its efforts to construct new homes for neighborhood residents now living in sub-standard housing stock.

Through its participation in AVENUES WEST, a local partnership of institutions, business interests, neighborhood organizations, church groups, schools, and residents working together to foster economic growth and development, Marquette will assist neighborhood residents in undertaking business development activities, bringing capital and jobs into the area and creating attractive and lively commercial centers for students and community use.

The Community Services component of the Marquette Plan will provide new and expanded legal, business, and health and welfare services to the community, while providing Marquette law, business, education, and psychology students and faculty with valuable opportunities for real-life educational experiences that only an urban campus can provide.

Students and faculty of the Law School will expand the current provision of legal assistance to neighborhood residents, helping them to manage housing and other concerns they are not currently prepared to meet alone. Business students and faculty will undertake a similar effort, assisting neighbors in acquiring employment and pursuing business opportunities. The Parent Center of the School of Education will help neighborhood residents address and overcome family crises, including drug and alcohol abuse and child and spouse abuse. In a neighborhood fraught with unemployment, an increasing prevalence of severe drug abuse problems, and skyrocketing school dropout, teenage pregnancy rates, and infant mortality rates, these services are desperately needed, and promise dramatic results.

Finally, because literacy is the first skill required by every individual for responsible citizenry and productive employment, Marquette's School of Education will spearhead a two-pronged effort of school dropout prevention for adolescents in the neighborhood and adult literacy and education extension programs for their parents. Under the Marquette Plan, the existing Center for Education, already a thriving educational outreach program of the university, will be expanded to serve a much larger clientele.

Conclusion: Request for Federal Partnership

While urban colleges and universities across the nation are facing similar problems on their campuses, apparently few have developed a creative and comprehensive plan of action for responding to those problems.

I feel strongly that the Marquette Plan not only provides significant benefits to both the University and the City, but also possesses equal merit as a demonstration for urban universities nationwide of the role those institutions can and should play in utilizing their vast and various resources to ensure the safety of their students and faculty by building bridges, rather than barriers, between universities and their communities.

The City of Milwaukee, under the leadership of Mayor John Norquist, has expressed its enthusiastic support of this initiative. A copy of his letter of endorsement is attached.

A closing illustration may be pertinent. Universities traditionally were expected to spend money on teaching, scholarship and service. Those fundamental objectives took on additional burdens in recent years, to the point that our operating budgets now include significant amounts for running food services, managing hotels, operating banks and loan collection agencies, sponsoring transportation systems, fostering health care clinics, and engaging in a whole host of activities not originally envisioned by our predecessors. And, at least in our case, we divert more than $1 million annually from the legitimately productive priority of academic pursuit to budget support for our campus security program.

As you pursue the reauthorization of the Higher Education Act this fall, I hope you will embrace Marquette's ambitious partnership plan, by joining in partnership with Marquette and the City of Milwaukee by providing Federal funding assistance for the program in the amount of $4 million each year for the life of the legislation.

Thank you.

July 19, 1991

JOHN O. NORQUIST
MAYOR

OFFICE OF THE MAYOR
MILWAUKEE, WISCONSIN

July 17, 1991

Albert J. DiUlio, S.J.
President
Marquette University
Milwaukee, WI 53233

Dear Father DiUlio:

I am pleased to offer my enthusiastic support and endorsement for the proposed neighborhood partnership plan at Marquette University. The plan promises to yield many benefits for both the University and the City.

In Milwaukee, as in so many of the nation's cities, the serious problems of economic deterioration and rising crime rates have raised increasingly significant concerns over recent years. I understand completely the special implications these issues have for an urban university like Marquette, and I would like to commend you on your initiative in proposing a partnership with the Milwaukee community to develop a positive and productive solution to these problems.

I am confident that the coordinated multi-faceted approach to campus security and community development proposed by Marquette in its Neighborhood Partnership Plan will utilize well the many resources of the University with measurable success.

Let me again offer you my encouragement as you undertake this important program.

Sincerely,

JOHN O. NORQUIST
Mayor

City Hall, 200 E. Wells Street, Milwaukee, Wisconsin 53202 Telephone (414) 278-2200

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Mr. SAWYER. Let me turn to my colleague, Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman. This is my second trip to Wisconsin. The first trip was to visit the cows and the second trip is to visit the colleges.

I am very happy to be here because my side of the aisle is dominated by Wisconsinites and you are very, very lucky to have the three gentlemen that you have serving in the Congress on the Education and Labor Committee. Congressman Petri is around the corner someplace between the airport and here and Congressman Gunderson, he gets all the ideas and then he comes and—he thinks that I am not smart enough to know that he is using me, but I know he is using me.

[Laughter.]

But usually the ideas are so good that I do not mind being used. So he makes the ball and I throw it.

And you sent us an outstanding freshman and we are very, very happy—you are not on the Ag Committee, are you? Usually between Petri and Gunderson, I always say if there is another way to put a recess into a school day, they are going to find out how to do it because that means we are going to serve more milk at recess time.

[Laughter.]

So I am happy to be here. The Chairman, Chairman Ford, shocked the education community I think, when he made one of the first speeches before we started this reauthorization process, where he said we are not just looking about a little bit of fine-tuning, we are going to turn this program upside down and look at it from every angle and see what has to be done. I guess it shocked the education community, because he is pretty much the father of the program, so I guess they just assumed he cannot make his program any better. But that is not the way the Chairman is facing this reauthorization.

So I look forward to the reauthorization. The testimony has been outstanding and very helpful. We are looking, of course, at the integrity of the program. We have to do that for the sake of being able to get money through the appropriation process. We now spend close to $11.5 billion, but if we do not show them that we are doing something about the integrity of the program, it will just make it that much more difficult. And of course, we have to make very sure that the 50 percent who do not go on to some form of higher education, as far as a 4-year program is concerned, also receive the best training they can possibly get so that we can be competitive in a very, very competitive world.

So again, it is a privilege to be here. I, as a kid always said I wanted to go to the University of Wisconsin. I do not know what happened along the line, but I am going to get to see the campus I think today. I always said after the 90th graduate credit that I took, that I would never, ever go back and take one more credit, but perhaps when I get out of Washington, I will come back and take at least three credits at the University of Wisconsin. Then I can say that I am an alumnus—so again, it is a privilege to be out here with these three distinguished gentlemen representing you in the Congress of the United States.

Mr. **Sawyer**. Well let us hope it is a long time before you get out of Washington.

Mr. **Goodling**. My constituents will determine that.

[Laughter.]

Mr. **Sawyer**. Steve.

Mr. **Gunderson**. Thank you, Congressman Sawyer.

Let me join with Scott in welcoming everybody to this hearing. This is, believe it or not, a statewide hearing that is being held here in Scott's district and obviously because it is the capitol, it is the proper place to hold a hearing. I want to say a special welcome to those of you who are constituents of mine, for driving those hours to come over here to Madison to participate.

I need to tell you a little bit about the two gentlemen to my left. Mr. Sawyer, in addition to his work on the Education Committee and the Higher Education Subcommittee, happens to also serve on the Post Office and Civil Service Committee where he is the Chairman of the Census Committee. And for him to come to——

Mr. **Sawyer**. Congratulations on your extra seat.

[Laughter.]

Mr. **Gunderson**. For him to come to Wisconsin the week of the decision not to adjust, and hold a hearing on anything other than the census is a break-through in and of itself and a real gift. So we deeply appreciate that.

I have had the privilege of talking to Mr. Goodling's constituents a number of times, so I am going to use the same story. Mr. Goodling is the only person in Congress who I call "Dad," and I think I am the only person in the Congress that he calls "Son." He treats me like a kid.

[Laughter.]

Mr. **Gunderson**. Unfortunately he has not seen fit to give me an allowance yet, so we are hoping that one of these days he will do that. But he is indeed one of the leaders—really on the Republican side, he is the leader in terms of education. Whether it be higher ed, whether it be voc ed, whether it be job training, whether it be elementary and secondary ed, the whole concept of educational reform, he is our leader and one who comes from a career in education before he saw fit to succeed his father in the Congress, which gives you an idea of how lucky and fortunate we are.

I am not going to tell you in Madison how fortunate you are to have Scott Klug on the committee and in the Congress, but I will tell you that there was a great debate about whether or not we would have three members from Wisconsin on the Education Committee, because they were absolutely convinced that we would distort the formulas in our favor. And we have every intention of trying to do just that.

[Laughter.]

Mr. **Gunderson**. So let me say something, however, about the reauthorization process. This is much more important than I think people anticipate in a normal reauthorization of an educational program. This is the reauthorization of higher education that will determine the status of higher education and therefore the competitiveness of American society in the 21st century.

We will begin implementing this reauthorization, not in fiscal year 1992, but in fiscal year 1993. And so we are looking at a 4-year program that I have no doubt that this is the one that determines how prepared America is for the 21st century.

In that regard, I would hope we would spend a great deal of time looking in four areas. There is no question, middle income families have been disenfranchised in the student financial aid programs, and accordingly many lose the ability to seek higher education at a time when it is almost essential in order to be able to get a job in America's competitive society.

Second, we need to recognize today's college student is very, very different. And frankly none of the programs today address the needs of that non-traditional student and we need to respond to that particular student as we look at 50 percent of our student body and going up being the non-traditional student, coming back to school for training or retraining.

Third, many of you are aware that in the last session of Congress we passed the Americans with Disabilities Act. Many of you from the elementary education area are well aware that we have done a significant thing for handicapped education in that area. The one area where we still have miles to go in terms of full access and opportunity for the handicapped is in the area of higher education. I regret to tell you that I have letters and calls from constituents in my district today who are being denied full educational opportunities in higher education because of their disability. We cannot let that continue beyond this reauthorization.

Fourth and finally, because I think it is appropriate that we are here in Madison, probably the area that the general public is most ignored, but from a policy perspective is as important as any area, is the area of graduate education. The reality is, through no fault of graduate schools, the majority of graduate students in this country today who receive graduate degrees are foreigners who take their knowledge home. In a competitive, high-technology global market, ladies and gentlemen, we cannot let that happen. We cannot allow minorities, whether it be women, blacks or others, continue to be under-represented in graduate programs and therefore teaching positions for higher education. We have to address those concerns if we are going to maintain our competitiveness.

I look forward to your testimony, more important, I look forward to working with you in the weeks and the months ahead, as we complete this most important process. Thank you.

Mr. SAWYER. Thank you. Scott.

Mr. KLUG. Yes, I would like to just spend a minute if I could saying some thanks and telling you again a little bit more about the folks who are here this morning.

First things first, which is to say thanks to the people at MATC and in particular Lynn Roberts, Debbie Thompson and Beverly Simone, who you will hear in a minute or two, who helped put this hearing together this morning and helped provide all the resources and the facilities to make this Congressional hearing possible.

A word about Tom Sawyer, if I can first of all, who is here today with us from Ohio. He was the Mayor of Akron before he went to Congress. Before that he was a State legislator and before that he was an educator. He spent a great deal of time working with boys who were juvenile delinquents, which he says was great preparation for Congress. But as he told us last night at the dinner, only the at the home for juvenile delinquents, there was more adult supervision.

[Laughter.]

Mr. KLUG. Bill Goodling's great passion in his 17 years in Congress has been education. He was a teacher, he was a high school principal at the age of 26 and he was a school superintendent 10 years later. So he certainly, on the elementary and secondary level, knows the problems and the frustrations and the premises firsthand.

I think this is a very—as Steve indicated—a very crucial time for us as we reauthorize the Higher Education Act for the next 4 years, to look down the road at the whole subject of competitiveness, which we hear a lot about on the news recently, as we were discussing last night at the dinner hosted by the University of Wisconsin.

There has been a lot of talk recently about America's competitive edge in the world and the fact that we do not compete quite as well as we once did in the automotive industry, we do not do quite as well as we once did even in computers and some other high-tech things. But in education, this is without a doubt still the best system in the world.

In a recent survey that was done, 12 of the 18 top universities in the world were identified as American universities. And those of us in Madison and those of us from Wisconsin know what a national treasure the UW is, and all the resources it has provided, not only students from here but from across the globe over the last several decades.

But clearly, as we look down the road at the next 4 years immediately and the next decade or so, there is a wide variety of problems confronting students—traditional students, people who go on to voc tech schools or colleges right after they leave, and there is a whole series of monetary problems that come with it. For us, it is the question of how we cut down substantial default rates around the country and at the same time provide enough money to help the middle income students that Steve was talking about.

And it is clear we also have the guarantee that there is a wide variety of educational experiences available to those students, whether they want to go to a traditional 4-year university like the University of Wisconsin or a private institution like Lawrence University, which is one of my alma maters here in the State. We will hear from Dr. Warch a little bit later on. Whether it is a proprietary school and we all know proprietary schools across the country have had some problems with default rates, but here in the City of Madison, we have got two proprietary schools which have lower default rates even than the University of Wisconsin does and have done an excellent job of placing students.

And then finally of course, there is the flexibility of the vocational-technical area, which Beverly Simone will tell us a little about in her introduction in a minute and we will hear from some witnesses later on.

So it is crucial we not only look at this on an individual level for the students, but also what is out there systematically for all of us to plug into.

And then finally, obviously thanks to all of you. It has been awhile since we have had a Congressional hearing here in Madison on a subject as important as education and I am delighted to see the great turnout we have this morning. It means a lot to Steve and I obviously, being from Wisconsin, but it even means more for Congressmen Sawyer and Goodling who traveled a long way to hear your ideas and your thoughts.

Thank you.

[The prepared statement of Hon. Scott L. Klug follows:]

SCOTT KLUG
Second District, Wisconsin

EDUCATION AND LABOR COMMITTEE
GOVERNMENT OPERATIONS COMMITTEE

Congreſs of the United States
House of Representatives
Washington, DC 20515

Statement of U.S. Rep. Scott Klug

Subcommittee on Postsecondary Education

Madison, Wisconsin Field Hearing

Higher Education Act Reauthorization

Mr. Klug: First, let me say how happy I am, on behalf of the City of Madison, the Second Congressional District and the State of Wisconsin, to welcome my Congressional colleagues and all of the very distinguished and concerned members of Wisconsin's higher education community who have taken the time and made the effort to be with us this morning.

I also want to offer very special thanks to all the people at the Madison Area Technical College - Lynn Roberts, Debbie Thompson, and Beverly Simone in particular - for their very gracious hospitality. You've helped in every way possible, and on behalf of the entire Committee I thank you.

The reauthorization of the Higher Education Act will be among the most important pieces of legislation that the 102nd

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Congress considers. For better or worse, the impact of our efforts will be felt far into the future. It is critical that the impact be felt for the better.

We find ourselves at a difficult crossroads. The world is changing at a pace and in ways that were unimaginable only a decade ago. Nothing will be more critical in determining what America's role will be in that world, and how individual Americans will live in it, than our education system.

During the course of the many hearings that this Subcommittee has already held regarding this reauthorization, we have learned a great deal about the state of the American higher education system. It's a great system - the best in the world and the envy of the world. There are problems however, and they are problems that we cannot afford to either ignore or minimize.

There are today too many Americans - an increasing number of them from the middle class - for whom money is an insurmountable barrier to postsecondary eduction. We need to find realistic means to insure that all Americans who have the capability and the desire to train and educate themselves have the opportunity to do so. The Higher Education Act is the means to that end.

For a quarter of a century the financial aid programs which the Act authorizes - grant, loan, and work study programs among them - have made higher education and the dream of a better and richer life a reality for millions of Americans. Those Americans - educated, trained, skilled Americans - have repaid our investment in them a hundredfold. We must assure that our major financial aid programs remain available and relevant to the needs of today's generation of students.

While the needs of students have rightly taken center stage in our hearings thus far, we should not lose sight of the fact that postsecondary institutions, no less than individual students, depend on programs authorized under the Higher Education Act. In this respect, unfortunately, the Act has fallen far short of the goals of its authors.

Between 1964 and 1978, the Higher Education Act's Title VII programs provided a major source of Federal support for the maintenance and construction of academic research facilities at our nation's colleges and universities. During that time Title VII funds provided the financial leveraging that resulted in the construction of 4,000 facilities at nearly 2,000 institutions across America. Since then, Title VII funding has all but evaporated.

Today, we have over $12 billion in badly needed but unfunded capital projects on American universities. Clearly, the quality of American higher eduction in math, engineering, and the natural sciences is going to suffer unless we can insure that our young scientists and engineers have the facilities and materials available that will allow them to take full advantage of their talents. We have a witness with us this morning who will specifically address this issue and I look forward very much to hearing from him.

In closing, let me again thank everyone for being here and for their efforts bringing this hearing to Madison. I'm confident that we can make an important contribution to the Subcommittee's work.

Mr. **Sawyer**. Thank you very much—both of you—for that kind welcome.

For an additional welcome to Madison Area Technical College, let me invite to the table Dr. Beverly Simone, who is the CEO of this institution.

STATEMENT OF DR. BEVERLY SIMONE, CEO, MADISON AREA TECHNICAL COLLEGE, MADISON, WISCONSIN

Dr. **Simone**. It is a pleasure to be with all of you this morning and to welcome you to Madison Area Technical College; specifically to the Congressman, counsel that are with you, to those who have been invited to testify and to all the rest of us that are very concerned about what is happening to all of the students that we, and those of you that are students, are trying to meet your educational goals.

We appreciate the opportunity to be with you this morning and to share our concerns and challenges. We believe, as many of you have already said to us, that the competitiveness of this United States is a critical issue. It is one of national interest and importance and we believe, as in the Governors' Association Report on Excellence in Education, that increasing the competitiveness of the American workplace is a matter of national economic survival. All workers must dedicate themselves to increasing their skills in education and we believe that a national strategy for human resource development is critically important. And we believe the work that you are about is actually what can be the cornerstone of that human resource development initiative for this United States. So we are very pleased that you are here.

We at Madison Area Technical College serve over 68,000 students every year in one of our seven campuses or our numerous high schools and other sites throughout the communities that we serve. We serve 12 different counties in our service area and we are part of one of the over 12,000 technical, community and junior colleges in this United States who, as you well know, Congressman, serve better than six million students every fall in credit programs and another five million plus in non-credit programs.

We have a very high percentage of all post-secondary education students in our technical and junior colleges in this United States, over 43 percent, and 51 percent of all students entering post-secondary education are in a community college or technical college like we have in the 16 excellent colleges here in Wisconsin.

So we at Madison Area Technical College are very pleased to have all of you here today. Congressmen, thank you for giving us this opportunity to share with you some of our concerns and issues related to this very important national agenda. Thank you so much.

Mr. **Sawyer**. Thank you very much, Dr. Simone.

For an additional introduction, it is our privilege to welcome the Governor of the State of Wisconsin, the Honorable Tommy G. Thompson. Governor, welcome.

STATEMENT OF THE HONORABLE TOMMY G. THOMPSON, GOVERNOR, STATE OF WISCONSIN

Governor THOMPSON. Well Congressman, thank you so very much for giving me this opportunity. I had the privilege of having the Congressmen over to my office for coffee earlier this morning and enjoyed talking to you and appreciate very much that you are coming to Wisconsin, the home of quality education, and a place that we are deeply appreciative of your efforts to come here, Congressmen Klug, Gunderson, Goodling and Sawyer.

Mr. Chairman, members of the committee, good morning.

I appreciate very much the invitation and the opportunity to testify before this very distinguished panel. On behalf of the people of Wisconsin, it is my pleasure to welcome you to our State.

I am pleased that the House Subcommittee on Postsecondary Education has chosen to hold a hearing in Wisconsin. Wisconsin has a long and proud tradition of educational excellence. Our university system has 165,000 students, the third largest in the country. Our vocational education, which our very distinguished District Director has just welcomed you to Madison, has over 300,000 students that are being taken care of by our vocational education. That commitment begins in strong, community-based elementary and secondary schools and culminates in one of the finest university systems in the country and a vocational, technical and adult education system which is a model for the country. No less than 17 States have come into Wisconsin over the course of the last 4 years to take a look at our vocational system, how we set it up, how we operate.

Our commitment to education is driven by the fact that more than 10 percent of our population is currently participating in postsecondary education. Ours is also a significant financial commitment. Annual State aid to local schools totals more than $2 billion a year. State and Federal support of postsecondary education in Wisconsin exceeds $2.3 billion a year.

However, in order to really measure Wisconsin's commitment to educational excellence on the basis of dollars and cents alone is to sell our efforts short. In the last 4 years we have implemented a series of programs designed to bolster both the strength and the stability of our postsecondary systems.

Our scholarship program, our Governor's scholars program rewards academic achievement by offering high school valedictorians a 4-year scholarship to any public or independent college or university or VTAE campus in the State.

Through our tuition grant program, Wisconsin offers assistance to students choosing to attend one of our fine independent colleges or universities. This program is based on the need to narrow the tuition differences between public and private schools.

Our college savings bond program encourages parents to invest in their children's future. These tax exempt savings bonds, which I thank you for, can be redeemed to pay for tuition and education related costs at any college or university. To date, more than 40,000 bonds have been issued and bonds purchased have a total value of $182 million at maturity.

And through WISTAR, our program for constructing and renovating academic facilities, we are providing modern, state-of-the-art facilities for teaching and research. WISTAR provides the University of Wisconsin system with $75 million in remodeling funds and $75 million in construction money. The new construction funds will be matched dollar-for-dollar with non-State sources. We have a public/private partnership second to none in the State.

Our efforts are ambitious because the challenge facing our students is so daunting. As we speed our way through a new decade and towards a new century, we have no time to rest on our educational laurels.

By the year 2000, eight out of ten jobs will require technical training. Our work force will be forced to react and adapt in a rapidly changing world. More than ever, our economy will need individuals who can think critically, communicate effectively and solve problems creatively.

To meet these challenges, Federal and State government must work as partners. The oars on our educational rowboat are too big for either of us to handle alone. We must share the work and we must row in the same direction if we intend to make any progress.

Within the context of the Higher Education Act reauthorization, I would like to highlight areas in which we can improve our performance as partners.

Flexibility—first, I appeal to you to allow our postsecondary institution the greatest possible programmatic flexibility. State government's cry for flexibility is frequent. You have heard it. You used to say it when you were mayor, Mr. Sawyer. And more importantly, perhaps the finest articulation for the need for flexibility was provided by President Bush in "America 2000: An Education Strategy." The President stated, and I quote:

"America 2000 . . . honors local control, relies on local initiative, affirms states and localities as the senior partners in paying for education . . . it recognizes that real education reform happens community-by-community and school-by-school . . . Washington can help by . . . providing flexibility in exchange for accountability and pushing and prodding . . . then pushing and prodding some more."

I encourage you to have faith in us. Play your role—push, prod, contribute, and watch us get the job done.

That requires accountability from our part. With flexibility must come accountability, to protect against abuses. For example, we have all heard the horror stories of abuse within the guaranteed student loan program. Abuses cannot be tolerated and abusers must be held accountable for their actions.

We must be cautious, however, that we do not penalize those who make legitimate use of these critical aid programs.

I am proud to say that Wisconsin schools' default rate is much lower than the national average. I am not happy, however, that it is at 4.38 percent, but it is much better than the national default rate of 6.75 percent. Ours was one of the lowest in the Nation, but we have to do better, and we will try to do better.

For that reason, stricter accountability provisions should be sensitive to institutions like Wisconsin's, with excellent loan repayment records.

Confidence must be restored in the student aid system by focusing on institutions that are not handling these programs well.

The third area is work study, college work study. It is a concern at the University of Wisconsin-Madison. Nineteen hundred students participate in work study programs. Funding for these programs is $1.9 million a year, with State sources providing 30 percent of the funds. We thank you for that, we would like you to increase it if at all possible.

College work study send our students all the right messages about the balance between privilege and responsibility.

Any additional funding that would allow expansion of the college work study program would be money well invested and well spent.

Middle income aid, another concern is the emerging problem of aid distribution between middle income and lower income families.

I am cognizant of the Federal Government's fiscal constraints, and supportive of the President's view that limited resources must be targeted to the neediest members of society.

I encourage you to consider ways that more equitably define need, including exemption of house or farm values from income eligibility calculations.

I also salute one of your colleagues, Representative Tom Petri's "IDEA loan" proposal for an income contingent loan program. This is an innovative proposal that certainly deserves close scrutiny by this committee.

There may be other areas in which increased State and Federal cooperation could benefit our students and postsecondary educational institutions.

One example is Title VII funding for construction and renovation of academic facilities. Another example is strengthening Title VI international education programs.

Representatives from our university and our VTAE systems will speak to those issues in much more detail.

Therefore, in conclusion, as Governor of this great State, I once again thank you and appreciate this committee's effort and careful consideration of the reauthorization of the Higher Education Act.

As a father with two daughters in postsecondary education and a son that will begin his postsecondary education very soon, I want to re-emphasize the importance of the work that you are doing.

We place enormous trust in our colleges, our university and vocational education institutions in Wisconsin. We give them the responsibility of challenging, shaping and directing the minds of our children. Through their work, our colleges, universities and vocational schools touch the future of our State, our Nation and our world.

Thank you again for coming and please feel free to come back any time you wish, and please Godspeed in your work. Thank you so very much.

[The prepared statement of Hon. Tommy G. Thompson follows:]

TOMMY G. THOMPSON

Governor
State of Wisconsin

Prepared Testimony by Governor Tommy G. Thompson
U.S. House of Representatives Education and
Labor Committee
Subcommittee on Postsecondary Education
Friday, July 19, 1991
Madison, Wisconsin

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, GOOD MORNING.

I APPRECIATE THE INVITATION AND THE OPPORTUNITY TO TESTIFY BEFORE THIS DISTINGUISHED COMMITTEE. ON BEHALF OF THE PEOPLE OF WISCONSIN, IT'S MY PLEASURE TO WELCOME YOU TO OUR STATE.

I AM PLEASED THAT THE HOUSE SUB-COMMITTEE ON POST-SECONDARY EDUCATION HAS CHOSEN TO HOLD A HEARING IN WISCONSIN. WISCONSIN HAS A LONG AND PROUD TRADITION OF EDUCATIONAL EXCELLENCE. THAT COMMITMENT BEGINS IN STRONG, COMMUNITY BASED ELEMENTARY AND SECONDARY SCHOOLS AND CULMINATES IN ONE OF THE FINEST UNIVERSITY SYSTEMS IN THE COUNTRY -- AND A VOCATIONAL, TECHNICAL AND ADULT EDUCATION SYSTEM WHICH IS A MODEL FOR THE COUNTRY.

OUR COMMITMENT TO EDUCATION IS DRIVEN BY THE FACT THAT MORE THAN 10 PERCENT OF OUR POPULATION IS CURRENTLY PARTICIPATING IN POST-SECONDARY EDUCATION.

OURS IS ALSO A SIGNIFICANT FINANCIAL COMMITMENT. ANNUAL STATE AID TO LOCAL SCHOOLS TOTALS MORE THAN $2 BILLION A YEAR. STATE AND FEDERAL SUPPORT OF POST-SECONDARY EDUCATION IN WISCONSIN EXCEEDS $2.3 BILLION A YEAR.

HOWEVER, TO MEASURE WISCONSIN'S COMMITMENT TO EDUCATIONAL EXCELLENCE ON THE BASIS OF DOLLARS AND CENTS ALONE IS TO SELL OUR EFFORTS SHORT. IN THE LAST FOUR YEARS, WE HAVE IMPLEMENTED A SERIES OF PROGRAMS DESIGNED TO BOLSTER BOTH THE STRENGTH AND STABILITY OF OUR POST-SECONDARY SYSTEMS.

OUR GOVERNOR'S SCHOLARS PROGRAM REWARDS ACADEMIC ACHIEVEMENT BY OFFERING HIGH SCHOOL VALEDICTORIANS A FOUR YEAR SCHOLARSHIP TO ANY PUBLIC OR INDEPENDENT COLLEGE OR UNIVERSITY -- OR VTAE CAMPUS IN THE STATE.

THROUGH OUR TUITION GRANT PROGRAM, WISCONSIN OFFERS ASSISTANCE TO STUDENTS CHOOSING TO ATTEND ONE OF OUR FINE INDEPENDENT COLLEGES OR UNIVERSITIES. THIS PROGRAM IS BASED ON THE NEED TO NARROW TUTITION DIFFERENCES BETWEEN PUBLIC AND INDEPENDENT SCHOOLS.

OUR COLLEGE SAVINGS BOND PROGRAM ENCOURAGES PARENTS TO INVEST IN THEIR CHILDREN'S FUTURE. THESE TAX EXEMPT SAVINGS BONDS CAN BE REDEEMED TO PAY FOR TUITION AND EDUCATION RELATED COSTS AT ANY COLLEGE OR UNIVERSITY. TO DATE, MORE THAN 40,000 BONDS HAVE BEEN ISSUED -- AND BONDS PURCHASED HAVE A TOTAL VALUE OF $182 MILLION AT MATURITY.

AND THROUGH WISTAR, OUR PROGRAM FOR CONSTRUCTING AND RENOVATING ACADEMIC FACILITIES, WE ARE PROVIDING MODERN, STATE OF THE ART FACILITIES FOR TEACHING AND RESEARCHING.
WISTAR PROVIDES THE UNIVERSITY OF WISCONSIN SYSTEM WITH $75 MILLION IN REMODELLING FUNDS AND $75 MILLION IN CONSTRUCTION MONEY OVER THE NEXT EIGHT YEARS. THE NEW CONSTRUCTION FUNDS WILL BE MATCHED DOLLAR FOR DOLLAR WITH NON-STATE SOURCES.

OUR EFFORTS ARE AMBITIONS BECAUSE THE CHALLENGE FACING OUR STUDENTS IS SO DAUNTING. AS WE SPEED OUR WAY THROUGH A NEW DECADE AND TOWARD A NEW CENTURY, WE HAVE NO TIME TO REST ON OUR EDUCATIONAL LAURELS.

BY THE YEAR 2000, 8 OUT OF 10 JOBS WILL REQUIRE TECHNICAL TRAINING. OUR WORKFORCE WILL BE FORCED TO REACT AND ADAPT IN A RAPIDLY CHANGING WORLD. MORE THAN EVER, OUR ECONOMY WILL NEED INDIVIDUALS WHO CAN THINK CRITICALLY, COMMUNICATE EFFECTIVELY AND SOLVE PROBLEMS CREATIVELY.

TO MEET THESE CHALLENGES, FEDERAL AND STATE GOVERNMENT MUST WORK AS PARTNERS. THE OARS ON OUR EDUCATIONAL ROWBOAT ARE TOO BIG FOR EITHER OF US TO HANDLE ALONE. WE MUST SHARE THE WORK AND ROW IN THE SAME DIRECTION IF WE INTEND TO MAKE ANY PROGRESS.

WITHIN THE CONTEXT OF THE HIGHER EDUCATION ACT RE-AUTHORIZATION, I WOULD LIKE TO HIGHLIGHT AREAS IN WHICH WE CAN IMPROVE OUR PERFORMANCE AS PARTNERS.

flexibility

FIRST, I APPEAL TO YOU TO ALLOW OUR POST-SECONDARY INSTITUTION THE GREATEST POSSIBLE PROGRAMMATIC FLEXIBILITY. STATE GOVERNMENT'S CRY FOR FLEXIBILITY IS FREQUENT -- AND IMPORTANT. PERHAPS THE FINEST ARTICULATION FOR THE NEED FOR FLEXIBILITY WAS PROVIDED BY PRESIDENT BUSH IN "AMERICA 2000: AN EDUCATION STRATEGY."

THE PRESIDENT STATED:

> "AMERICA 2000 ...HONORS LOCAL CONTROL, RELIES ON LOCAL INITIATIVE, AFFIRMS STATES AND LOCALITIES AS THE SENIOR PARTNERS IN PAYING FOR EDUCATION ... IT RECOGNIZES THAT REAL EDUCATION REFORM HAPPENS COMMUNITY BY COMMUNITY AND SCHOOL BY SCHOOL ...

BEST COPY AVAILABLE

> "WASHINGTON CAN HELP BY ... PROVIDING FLEXIBILITY IN EXCHANGE FOR ACCOUNTABILITY, AND PUSHING AND PRODDING -- THEN PUSHING AND PRODDING SOME MORE."

I ENCOURAGE YOU TO HAVE FAITH IN US. PLAY YOUR ROLE. PUSH ... PROD ... CONTRIBUTE ... AND WATCH US GET THE JOB DONE.

accountability

WITH FLEXIBILITY MUST COME ACCOUNTABILITY -- TO PROTECT AGAINST ABUSES. FOR EXAMPLE, WE HAVE ALL HEARD THE HORROR STORIES OF ABUSE WITHIN THE GUARANTEED STUDENT LOAN PROGRAM. ABUSES CANNOT BE TOLERATED -- AND ABUSERS MUST BE HELD ACCOUNTABLE FOR THEIR ACTIONS.

WE MUST BE CAUTIOUS, HOWEVER, THAT WE DO NOT PENALIZE THOSE WHO MAKE LEGITIMATE USE OF THESE CRUCIAL AID PROGRAMS.

I AM PROUD TO SAY THAT WISCONSIN SCHOOLS' DEFAULT RATE IS 4.38 PERCENT. COMPARED TO THE NATIONAL DEFAULT RATE OF 6.75 PERCENT, OURS WAS ONE OF THE LOWEST IN THE NATION.

FOR THAT REASON, STRICTER ACCOUNTABILITY PROVISIONS SHOULD BE SENSITIVE TO INSTITUTIONS -- LIKE WISCONSIN'S -- WITH EXCELLENT LOAN REPAYMENT RECORDS.

CONFIDENCE MUST BE RESTORED IN THE STUDENT AID SYSTEM BY FOCUSING ON INSTITUTIONS THAT ARE NOT HANDLING THESE PROGRAMS WELL. AT THE SAME TIME, INTEGRITY CANNOT BE ASSURED THROUGH HEAVY-HANDED REGULATIONS THAT CAUSE PROBLEMS FOR ALL STUDENTS, REGARDLESS OF WHERE THEY ARE ENROLLED.

work study

A THIRD AREA OF CONCERN IS COLLEGE WORK STUDY. AT THE UNIVERSITY OF WISCONSIN - MADISON, 1,900 STUDENTS PARTICIPATE IN WORK STUDY PROGRAMS. FUNDING FOR THESE PROGRAMS IS $1.9 MILLION A YEAR, WITH STATE SOURCES PROVIDING 30 PERCENT OF THE FUNDS.

COLLEGE WORK STUDY SENDS OUR STUDENTS ALL THE RIGHT MESSAGES ABOUT THE BALANCE BETWEEN PRIVILEGE AND RESPONSIBILITY.

ANY ADDITIONAL FUNDING THAT WOULD ALLOW EXPANSION OF THE COLLEGE WORK STUDY PROGRAM WOULD BE MONEY WELL SPENT.

middle income aid

ANOTHER CONCERN IS THE EMERGING PROBLEM OF AID DISTRIBUTION BETWEEN MIDDLE INCOME AND LOWER INCOME FAMILIES.

I AM COGNIZANT OF THE FEDERAL GOVERNMENT'S FISCAL CONSTRAINTS, AND SUPPORTIVE OF THE PRESIDENT'S VIEW THAT LIMITED RESOURCES MUST BE TARGETED TO THE NEEDIEST MEMBERS OF SOCIETY.

I ENCOURAGE YOU CONSIDER WAYS THAT MORE EQUITABLY DEFINE "NEED," INCLUDING EXEMPTION OF HOUSE OR FARM VALUES FROM INCOME ELIGIBILITY CALCULATIONS.

I ALSO SALUTE REPRESENTATIVE PETRI'S "IDEA LOAN" PROPOSAL FOR AN INCOME CONTINGENT LOAN PROGRAM. THIS INNOVATIVE PROPOSAL CERTAINLY DESERVES CLOSE SCRUTINY BY THE COMMITTEE.

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title 7 and 6

THERE MANY OTHER AREAS IN WHICH INCREASED STATE AND FEDERAL COOPERATION COULD BENEFIT OUR STUDENTS AND POST-SECONDARY EDUCATIONAL INSTITUTIONS.

ONE EXAMPLE IS TITLE SEVEN FUNDING FOR CONSTRUCTION AND RENOVATION OF ACADEMIC FACILITIES. ANOTHER EXAMPLE IS STRENGTHENING TITLE SIX INTERNATIONAL EDUCATION PROGRAMS.

REPRESENTATIVES FROM OUR UNIVERSITY AND VTAE SYSTEMS WILL SPEAK TO THESE ISSUES IN MORE DETAIL.

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conclusion

AS GOVERNOR OF WISCONSIN, I APPRECIATE THIS COMMITTEE'S EFFORT AND CAREFUL CONSIDERATION OF THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT.

AND AS A FATHER WITH TWO DAUGHTERS IN POST-SECONDARY EDUCATION ... AND A SON THAT WILL BEGIN HIS POST-SECONDARY EDUCATION SOON, I WANT TO RE-EMPHASIZE THE IMPORTANCE OF THE WORK YOU ARE DOING.

WE PLACE ENORMOUS TRUST IN OUR COLLEGE, UNIVERSITY AND VOCATIONAL EDUCATION INSTITUTIONS. WE GIVE THEM THE RESPONSIBILITY OF CHALLENGING, SHAPING AND DIRECTING THE MINDS OF OUR CHILDREN. THROUGH THEIR WORK, OUR COLLEGES, UNIVERSITIES AND VOCATIONAL SCHOOLS TOUCH THE FUTURE OF OUR STATE, OUR NATION AND OUR WORLD.

THANK YOU AGAIN FOR BRINGING THIS COMMITTEE TO WISCONSIN AND FOR YOUR ATTENTION TO OUR CONCERNS.

Mr. SAWYER. Thank you so very much, Governor.

Do we have any questions or comments we would like to direct to the Governor?

Mr. GUNDERSON. You have done a lot in the area of economic development. Would you like to share with us what in particular you hear from the business community as the number one need for higher ed preparation for the competitive business community?

Governor THOMPSON. The number one thing that the business community is talking about is vocational training, about the needs to have the proper training for the changing technology. The opportunities to have students that once they receive education are able to go into the work force and do a job and be able to be adapted. It is a criticism that you hear, whether the students come from high school graduates or dropouts or come from college. And it has become much more intense. And the business communities I think in Wisconsin, similar to a lot of your States, are getting much involved in what is going on in education, how they can be a partner. And we are finding that to be very helpful, a cooperative public/private partnership.

Mr. GUNDERSON. Thank you so much, Governor.

Mr. SAWYER. Thank you very much, Governor.

We have three panels today, the first of which will be made up of Dr. Richard Warch, President of Lawrence University; Dr. Katharine Lyall, Executive Vice President of the University of Wisconsin System and Dr. John D. Wiley, Dean of the Graduate School of the University of Wisconsin-Madison. If you would care to join us at the table.

Let me again mention that the full text of your entire statements will be made a part of the record. We would encourage you to summarize, depart from or in any other way expand upon your written record, and we look forward to what you have to say. Dr. Warch.

STATEMENTS OF DR. RICHARD WARCH, PRESIDENT, LAWRENCE UNIVERSITY; DR. KATHARINE LYALL, EXECUTIVE VICE PRESIDENT, UNIVERSITY OF WISCONSIN SYSTEM AND DR. JOHN WILEY, DEAN OF THE GRADUATE SCHOOL, UNIVERSITY OF WISCONSIN-MADISON

Dr. WARCH. Mr. Chairman, members of the subcommittee, my name is Richard Warch and I am President of Lawrence University in Appleton, not as listed Sister Bay. Sister Bay happens to be where I am this summer but not where the college is located.

I am here to testify this morning, not only on behalf of Lawrence and its students, but as a representative as well of 20 other accredited independent colleges in Wisconsin and 26 liberal arts colleges that constitute the Associated Colleges of the Midwest and the Great Lakes Colleges Association. Collectively, these independent undergraduate colleges serve almost 80,000 students and they do so in ways that directly and substantively serve the national interest.

In this summary statement, I want to cover several points. By way of introduction, let me say and reaffirm what you gentlemen have said. The reauthorization process provides a distinctive opportunity to reaffirm and secure a partnership among students, colleges, the States and the Federal Government. This will provide programs and resources that will enable young people to exercise freedom of choice and access in attending the institution of higher education that will best serve their talents, interests and aspirations, and hence, our national interest. Clearly the undergraduate college and its students deserve a place in this partnership.

I represent institutions that have demonstrated their commitment to their role in this partnership. Indeed over the course of the last decade, that commitment has increased substantially as Federal resources have diminished in constant dollars and as we have experienced an overall shift from grants to loans in Federal aid programs. At Lawrence, for example, we have seen the following changes in the past 10 years. In 1980–1981, Federal grants contributed 6 percent and Lawrence grants contributed 15 percent to our tuition. In 1989–1990, the Federal share had dropped to 3 percent and Lawrence's had risen to 35 percent. In that year, the college provided $4.9 million in gift aid to our students and Federal programs provided a little over $500,000. A similar story can be told at every other institution.

One reason for this relationship is that Pell grants are available only to students from low-income families, even though the original intention of the student financial aid programs was to provide opportunities for access and choice to students from middle income working families as well.

First then, the colleges I represent support the position advocated by several national educational associations that Pell grant eligibility be revised to introduce tuition sensitivity and be extended to include families with incomes up to $43,300. At present the Pell grant program does not serve many of our students, as I believe it should. Let me give one illustration of that fact.

Jody will enter Lawrence in the fall. She lives in northern Wisconsin with her parents and four younger siblings. Her parents' income from logging and farming in 1990 was slightly under $22,000. The value of their home and savings is $16,000 and their farm and business is valued at $185,000. Under Congressional Methodology for determining financial need, Jody's parents are expected to contribute only $625 to her education next year. By any measure, she is a needy student. But because of her family's equity, she is determined not needy enough for a Pell grant. Lawrence and Wisconsin tuition grant funding make up 71 percent of her aid package. In order to meet her financial needs, she has been double loaned out of both the Stafford and Perkins programs.

Jody's case could be replicated at all other independent colleges and her situation also illustrates the second point I would like to stress, the importance to students at independent colleges of the campus-based programs about which the Governor spoke, supplemental educational opportunity grants, college work study funds and the Perkins loan program. We urge that these programs be retained and strengthened, as they provide important supplements to other sources of aid. To abandon them will pose significant hardships for students and institutions.

Third, I want to speak to the issue of loans. This past year, I served, along with Katharine Lyall, on Governor Thompson's task force on student debt in Wisconsin. Our committee noted, as have others and will many others, the dramatic shift from grants to loans in Federal programs over the last decade. We believe that this trend line must be reversed, that grant funds need to be bolstered and at the same time that loan programs need to be continued and enhanced and new options, as Mr. Petri has suggested, be explored.

We urge that Stafford loans be available to families without determination for need and that Stafford interest rates be subsidized while the student is in college, as is now the case with Perkins.

Finally, I have been asked to speak briefly to one of the hot topics in higher education these days—PC. I refer not to political correctness, about which perhaps too much has been said, but about price and cost. Now clearly higher education is costly, and those costs have increased significantly in the last decade among all sectors and sorts of institutions, public and independent, large and small, research universities and liberal arts colleges. Those costs have exceeded the rise in the consumer price index for many and varied reasons, but several stand out.

Higher education is labor intensive and wages and benefits are a large fraction of our expenses. Further, our market basket of goods, unlike the average household's, includes not only extensive personnel expenses, but library acquisition costs, computer technology and scientific instrumentation, the costs of which have risen steeply.

What differentiates the independent undergraduate college in this situation is partly that its costs may be greater than those of other types of institutions due to low student/faculty ratios, the absence of teaching assistants. But its price may be different as well because of the way in which that price is paid. No student pays the full cost of education at a public or independent college. At Lawrence, tuition covers 60 percent of the cost with endowment, earnings and gifts making up the rest. At the public institution, taxpayer subsidies bear the greater share.

The cost of higher education is something that all institutions are seeking to control, but costliness is endemic to the enterprise. We have missions and purposes to conduct and national needs to be serves. At Lawrence, for example, over half of our science graduates go on to graduate school or to medical school and we graduate a disproportionate number of students who have foreign language competency and interest in foreign affairs.

In terms of the academic programs we offer and the successful student outcomes we produce, the independent colleges I represent are in fact highly cost-efficient. But we cannot do it alone. And as we serve the national interest, I believe we ought not. Partnership is a key and I urge the committee and Congress to affirm and extend that partnership as it tackles the reauthorization agenda.

I commend the committee as it takes on that task and thank the members for this opportunity to testify.

[The prepared statement of Dr. Richard Warch follows:]

STATEMENT

to the

SUBCOMMITTEE ON POST-SECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

UNITED STATES HOUSE OF REPRESENTATIVES

July 19, 1991

by

Richard Warch

President, Lawrence University

On behalf of:

Wisconsin Association of Independent Colleges and Universities
Associated Colleges of the Midwest
Great Lakes Colleges Association

Good morning Mr. Chairman and members of the subcommittee. I am pleased to be able to meet with you today to provide testimony related to the reauthorization of the Higher Education Act of 1965. I am here as President of Lawrence University in Appleton and bring the perspective of an independent liberal arts college here in Wisconsin, as well as that of the other twenty accredited independent colleges in the state and the 43,000 students we serve.[1]

I also speak on behalf of the Associated Colleges of the Midwest, a consortium of fourteen undergraduate liberal arts colleges in Wisconsin, Minnesota, Iowa, Illinois and Colorado, and the Great Lakes Colleges Association, a consortium of twelve liberal arts colleges in Indiana, Ohio and Michigan.[2] In the main, the colleges are small; Lawrence, for example, will enroll 1200 students in the coming year. As a group, these colleges in the two consortia have a significant impact; we educate over 42,000 students at the baccalaureate level and have a combined total of more than 250,000 living alumni, many of whom hold significant leadership positions in all walks of life. One of Lawrence's distinguished alumni is, I am pleased to say, a member of this committee meeting here today.

My message to this committee is a simple one, and will be familiar to you members who are already deeply engaged with issues related to higher education. The reauthorization of the Higher Education Act is a significant moment because it will shape and define federal policy on higher education at a time when the nation's need for a highly skilled and competent labor force, one able to compete in and contribute to an information age, a technological society, and a globally interdependent world, is greater than ever. I believe that our nation needs a federal policy for higher education that supports students as they choose to pursue higher education, allows them to choose the type of educational institution that best

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[1] WAICU: Alverno College, Beloit College, Cardinal Stritch College, Carroll College, Carthage College, Concordia University-Wisconsin, Edgewood College, Lakeland College, Lawrence University, Marian College of Fond du Lac, Marquette University, Milwaukee Institute of Art and Design, Milwaukee School of Engineering, Mount Mary College, Mount Senario College, Northland College, Ripon College, St. Norbert College, Silver Lake College, Viterbo College, Wisconsin Lutheran College.

[2] ACM: Beloit College, Carleton College, Coe College, The Colorado College, Cornell College, Grinnell College, Knox College, Lake Forest College, Lawrence University, Macalester College, Monmouth College, Ripon College, St. Olaf College, College of the University of Chicago; GLCA: Albion College, Antioch College, Denison University, DePauw University, Earlham College, Hope College, Kalamazoo College, Kenyon College, Oberlin College, Ohio Wesleyan University, Wabash College, The College of Wooster.

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develops their talents, and thus enables them to contribute to the nation's well-being to the fullest extent possible.

My testimony today revolves around three basic premises. First of all, as we approach the twenty-first century, the United States more than ever has a need for a highly skilled work force and a responsible citizenry. Higher education, up to and beyond the baccalaureate level, will be more important than ever in producing this work force. The nation has developed--and now must sustain and support--a wide range of higher educational opportunities to enable students of different ages and backgrounds to extend their talents and interests in service to this end. Second, independent undergraduate colleges and their students are important partners in this process, and need to be included in a comprehensive federal approach to higher education. Hence, and finally, we look to the reauthorization of the Higher Education Act as an opportunity to further our work as partners with the federal government in providing the financial resources to enable all students to have access to the best education possible.

As the nation approaches the new millennium, we face the need to increase the supply of skilled workers with post-secondary degrees in both traditional and technical fields. We need to enable more students graduating from high school to attend and succeed at post-secondary institutions than is now the case. We need to encourage more students graduating from two-year institutions to go on to baccalaureate studies than is now the case. We need to support more students at four-year institutions to complete their degrees than is now the case. We need to produce more students with baccalaureate degrees, who will go on to graduate studies, to become the skilled professionals and research scientists needed to maintain our national competitiveness, to replace retiring college and university faculty, and to be productive and contributing citizens for our nation and the world. As institutions of higher education prepare to fulfill this important role, we will be working to improve quality, control costs, and provide a supportive environment for our students. But as colleges and universities seek to better serve their students, we look to the federal government to join in the effort.

The Role of the Independent Liberal Arts College

Independent higher education in Wisconsin and in the United States plays a particularly important role in training leaders for many roles in American life. Last year, the Ameritech Foundation carried out research on the independent colleges and universities in five states of the Midwest and identified numerous ways by which these institutions attract more students with greater academic ability and encourage them to fulfill their higher educational aspirations. Within this five-state region, including Wisconsin, private colleges enroll one-quarter of the students yet produce one-third of the graduates. One of three graduates of a private college attends graduate school, while only one-fourth from the public sector does so. These colleges graduate over 60 percent of the students who enroll, with many achieving persistence rates that exceed 80 percent, compared to 43 percent for four-year state institutions.

Furthermore, undergraduate liberal arts colleges have particular strengths in fields vital to our nation's future. A major study in 1985 of 48 leading liberal arts colleges showed that while 7 percent of all bachelor's degrees nationally were awarded in the basic sciences, at the national liberal arts colleges 24 percent of the bachelor's degrees were in science. These colleges are also relatively more productive in developing doctorates in the sciences, crucial for international leadership in scientific and technical fields, with a doctoral productivity ratio of 8.2 percent, compared with a doctoral productivity rate of 4.3 percent at the Big Ten universities.

In addition, independent liberal arts colleges are also particularly productive in producing graduates who provide leadership in international careers and scholarship, as demonstrated by the data collected and disseminated last month in a major conference of the International Fifty College at Beloit College. For example, graduates of these independent institutions are three times more likely to have majored in foreign languages or international area studies than their peers at major research universities; they receive Ph.D.'s in international fields and enter the Peace Corps and the Foreign Service at a higher rate than students from other educational sectors.

Lawrence and its sister institutions are committed to providing access to qualified students and to seeking students from a wide range of socio-economic and racial backgrounds. At Lawrence, 70 percent of our students receive financial aid, a mixture of institutional, federal and state funds in which the institutional share has steadily increased. All of these colleges have become increasingly active in diversifying their student bodies. In the central midwestern states, while private colleges enroll 26 percent of all four-year students, they enroll 31 percent of Black students and 33 percent of Hispanic students. From these enrollments they produce 40 percent of the minority graduates in these states--a percentage we are determined to improve, but one that nevertheless testifies to our overall success rate.

Financial Support Essential for Access

We seek the support of the federal government to provide part of the financial resources essential to enable academically talented students to pursue high-quality liberal arts undergraduate education regardless of their ability to pay. Lawrence, like all independent institutions, has dramatically increased its institutional commitment to providing financial aid in the last decade, while the once substantial federal programs have failed to increase. In 1989-90, Lawrence provided gift aid of $4,897,577 to its students on the basis of need. State aid, primarily from Wisconsin, totaled $620,332, while federal gift aid totaled $513,301. That means that the federal government provided only 8.5 percent of the need-based gift aid provided to Lawrence students.

Viewed in a ten-year perspective of the decade of the 1980s, the story is sharpened. Whereas in 1980-81 federal grants contributed 6 percent and Lawrence grants contributed 15 percent to covering the college's tuition, in 1989-90, the federal portion had decreased to 3 percent and Lawrence's had risen to 35 percent (see accompanying graphs, Exhibits A and B). While Lawrence has multiplied the amount of institutional dollars in aid in this period, we do not have the resources to continue to increase these expenditures. We must have federal help to continue to assist students as they pursue their education.

The same situation applies at other independent colleges. Collectively in 1989-90, the colleges within the Associated Colleges of the Midwest provided 57.9 million dollars of institutional gift aid, almost seven times the 8.5 million dollars students received in combined federal gift aid. In Wisconsin, institutional dollars provide the lion's share of aid--more than $20 million last year for state residents compared to $14 million from the state and $11 million from federal sources.

Throughout the 1980s, federal grant assistance to undergraduates at independent institutions declined dramatically (in constant dollars) while these institutional commitments were increasing. We seek to restore a partnership with the federal government in which the goals for a better educated work force are jointly supported, by institutions, by families, and by state and federal aid programs. The federal programs have not grown in proportion to the increased costs of providing quality education and the increased needs of recruiting and supporting students without regard to economic background. In order to maintain educational opportunity for all students, we seek increased resources in federal financial aid programs and some modifications in those programs. Indeed, the federal funds would have a substantial impact if institutional and federal funds were matched, especially for the campus-based programs.

Reauthorization of Federal Financial Aid Programs

We believe that funds allocated to the existing financial aid programs must be increased, and that changes should be made in the design of those programs to make them more effective in assisting both highly needy students and students from middle-income working families who also need assistance.

Pell Grants. At present, Pell grants are available only to students from very low-income families, although the original intent of the student financial aid programs was not only to help the poor have access to higher education but was also to assist middle-income families to obtain the most appropriate education for their sons and daughters. This year, the national education associations, including the American Council of Education and the National Association of Independent Colleges and Universities, have proposed a revision of Pell grant eligibility which would introduce tuition sensitivity and extend eligibility to families with incomes up to $43,300. We support that proposed revision to enable students from diverse economic backgrounds to attend Lawrence and other independent colleges if they wish. In addition, we would encourage consideration of a provision to increase the Pell grant as an incentive for degree completion when a student passes the mid-point of his/her baccalaureate program.

Up to this point, students from middle-income families attending Lawrence have been supported only by institutional gift aid and by loans, the latter of which impose great difficulty on these students. For the most part then, the Pell grant program has not served our students. Let me illustrate the point by referring to the cases of two Lawrence students, each of whom evidences significant financial need to attend the college, and each of whom has been shut out from the Pell program.

> Case #1
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> "Brad" from central Wisconsin is the son of a school teacher and environmental specialist. In 1990, Brad's parents earned approximately $44,000. Even with six family members (two are in college) to support, the parental income and modest assets (home equity of $65,000 and savings of $1,000) were too large to provide any Pell Grant eligibility for Brad. A state grant has provided approximately 15 percent of Brad's aid and Lawrence grant funding has provided about 55 percent. The remaining 30 percent of Brad's aid is met through federal work and loan programs. By the time Brad completes his junior year in college, he will have borrowed $10,045. He will owe about $14,000 for undergraduate studies when he completes his biology degree in June 1993. Currently, Brad plans to attend medical school upon completion of his undergraduate degree. If he attempts an entry level position in a lab environment, he can expect an income in the low $20 thousands.
>
> Case #2
>
> "Jody" will be entering Lawrence University in the fall. She lives in northern Wisconsin with her parents and four younger brothers and sisters. Her parents'

> income in 1990 from logging and farming was slightly under $22,000. The value of their home and savings is $16,100 while their farm and business is valued at $185,300. Under Congressional Methodology, the parents' contribution for next year is $625. Jody certainly seems to be a very needy student. However, since her parents have built up some equity in a farm/business, she is deemed not needy enough for the federal Pell Grant. State and Lawrence funding make up the majority (71 percent) of Jody's aid package. But since a Pell Grant is not available for Jody, she has been "double loaned." Funding from both the Stafford and Perkins Loan programs have been awarded to Jody. In the past, Lawrence University has made a concerted effort to fund students through only one loan program. However, in recent years we have found it necessary to double loan in extremely high need cases. Sixty students from last year's and this year's entering classes have been double loaned. For Jody, this means at least $3,200 of loan for each of her four years at Lawrence ($12,800 total). If Jody's need increases, she could have over $15,000 of debt to repay between two loan programs for her undergraduate study. Since Jody plans to continue her education in psychology at the graduate level, she is likely to incur even more debt.

Campus-Based Programs. Both cases reveal that campus-based financial aid programs--loans and work-study--are important to our students. And so, a second and related concern of independent colleges and universities is that those programs--Supplemental Educational Opportunity Grants, College Work-Study funds, and the Perkins Loan program--be retained and strengthened.

These programs are important supplements to other sources of aid, and they would be most useful if institutions could administer them with greater flexibility. We thus propose that institutions be allowed to transfer up to 25 percent of the funds among these three programs. Currently, only 15 percent of SEOG and College Work-Study funds is transferable.

Finally, I want to address the matter of student indebtedness. This past year I chaired Governor Thompson's task force on student debt; I believe that a copy of our report has been sent to each member of Wisconsin's Congressional delegation. While our committee found that the levels of student debt had not reached crisis proportions, we pointed out--as have and will many others--the dramatic shift from grants to loans in financial aid over the past decade. That trend line must be arrested and reversed if the nation's promise to its young people, higher educational access and choice, is to be sustained. It is important, then, that more grant funds be available to reduce the risk of students accumulating unmanageable debts. We need to take the long view of the economic implications of student debt. According to Carol Frances, all other things being equal, a student who borrows $10,000 will have four to six times less in assets fifteen years after graduation.

At the same time, loans will continue to be important to middle income families and the current loan programs should also be continued and expanded. We believe that Stafford Loans should be available to all families without determination for need. These funds would enable families to make their contribution to their children's education, particularly if the interest rates were subsidized as is now the case for Perkins Loans. We further believe it would be beneficial to middle-income families to remove the family residence from the calculation of family assets. We believe it is worthwhile to explore the proposal that campuses administer the Stafford Loans with direct access to federal funds to replace the current role of banks and state guaranty agencies, though the Department of Education will need to evaluate this as a pilot project before moving towards full implementation.

Both loans and grants are vitally important to expanding access to higher education. At present, the system is exceedingly complex for all participants and I encourage you to develop ways of simplifying the process, both the application for financial aid completed by students and their families and the administration of financial aid done by the colleges. Our financial aid office is burdened with paper work and those of us who have shown ourselves to be responsible in administering and disbursing financial aid should be relieved from some of the regulatory burden. Independent colleges have excellent records in administering higher education loans. While the Department of Education is in the process of imposing penalties on institutions with 30 or 35 percent default rates, at independent non-profit colleges and universities the average default rate nationally is less than 6 percent. At

Lawrence, the default rate is 3 percent.

Tuition Costs at Independent Colleges

As members of this committee well know, PC is a hot issue on college campuses. I refer in this instance not to the furor about political correctness but to the broad concern about price and cost. I have been asked to speak to that issue here. Clearly, the cost of higher education has increased dramatically in the last decade, a fact that is true among all sectors and sorts of institutions, public and independent, large and small, research universities and liberal arts colleges. What distinguishes the independent sector are not its costs but the ways in which those costs are met; that is, who pays the price.

In considering these issues, it is important to note a few key facts. First, that while the public often gauges college costs against the rise in the consumer price index, against which those costs have indeed increased faster, the more appropriate benchmark is the so-called higher education price index, which better matches the expenses colleges incur. Our market basket of goods includes wages and benefits, library acquisitions, computer technology, and scientific instrumentation. Those costs to our institutions have risen steeply. Second, educational costs at liberal arts colleges will be greater than those at other institutions because of the favorable ratio of faculty to students and because of the commitment to quality--in faculty, program, and facilities--that these institutions have made. In short, the expenses--and hence the costs--faced by colleges and universities have risen more than the consumer price index because of the nature of those expenses.

The greatest of these is personnel costs--and higher education is obviously a very labor intensive enterprise. No one has found a satisfactory way to make higher education more efficient--since I would argue that the supposed efficiency of classes of hundreds of students taught by televised lectures is not educationally efficient at all. While all colleges are battling to control costs and to cut them where possible, the fact remains that higher education is necessarily expensive. At Lawrence, for example, we are committed to maintaining and enhancing faculty salaries, though even so the purchasing power of faculty salaries still lags behind that of the early 1970s.

Other necessary and important costs have increased faster than consumer prices as well, particularly library acquisitions, computer technologies, and scientific equipment--all of which are essential to the conduct of our purposes for students and society. Finally, colleges must attend to the major matter of their infrastructures; many of our buildings were erected in the 1960s and 70s and now require significant maintenance, maintenance we must provide now if we are to serve future generations as we serve the present one.

Within this context, undergraduate liberal arts colleges have higher tuition costs than some other kinds of institutions because of the intensive, focused academic programs that characterize these institutions. At Lawrence, we are committed to low student-faculty ratios, small classes, highly personalized instruction by the faculty, and hands-on access to state of the art equipment and facilities. We are also committed to providing an academic program for all students, including freshmen and sophomores, taught only by full-time faculty, without the intervention of graduate students, teaching assistants, or part-time instructors. We are committed to providing access to computers for all of our students, high quality scientific equipment, opportunity for foreign language study, and access to international education programs. Our commitment to help our students succeed is also labor-intensive, as we maintain financial aid counseling, extensive academic advising, and full career counseling services. In short, the success that Lawrence and other independent colleges have achieved in attracting capable students, supporting them towards graduation, and preparing them for the world of work and for graduate and professional school is expensive. At the same time, I would assert that in relation to the quality of our educational mission and the outcomes it produces, our operations are highly cost efficient.

The tuition at independent colleges is higher than that of state institutions not only because the costs of education are greater, but because the system of paying for the education is different. No student, whether at an independent college or a public university, pays the full cost of the education. At Lawrence, the student pays about 60 percent of educational costs. Gifts from donors--and college presidents work hard on this front--and income from endowment, pay the rest.

The difference between tuition charges at public institutions and independent colleges stem largely from taxpayer subsidies. Students at state-supported colleges and universities are heavily subsidized by state appropriations. The national average of state appropriation for each student attending a state university is approximately $5,500, regardless of the student's ability to pay. Although states increasingly provide grants for students who choose independent colleges and universities, the average appropriation is close to $550 per student, mostly in the form of need-based student financial aid. Because independent colleges and universities are committed to access for all qualified applicants, we provide financial aid for 60 to 70 percent of our students. Most of this aid, as noted above, comes from the institution's own resources, including tuition revenue. (It is worth noting here, as Arthur Hauptman testified recently before this committee, that decreases in federal student aid may have added to the rapid increases in tuition, especially at many private institutions as they were forced to increase the amount of aid they provided from their own funds.)

In sum, Lawrence and its independent cohorts in Wisconsin and the Midwest are committed to serving society by educating its youth to become the competent, highly trained and responsible citizens on which our nation depends. Our missions support that goal and our record of accomplishment with and for our students speaks for itself. These undergraduate liberal arts colleges provide an important curricular and educational model that serve students well and enables them to tackle the challenges of citizenship as employees, community participants, and national leaders. In looking to our collective future, we are determined to stay the course. But we look also to Congress and the Department of Education to be partners with us and to provide the programs and resources to permit students to have full access to education that best suits their talents and ambitions. The reauthorization of the Higher Education Act and the renewal and redefinition of the Student Assistance Program are important ingredients in this partnership, for they will set a course for the nation's higher education into the next century.

In conclusion then, I urge the Congress to consider these four principals (which are explained in greater detail in an appendix to this testimony) in the reauthorization process:

1. That it is in the national interest that the centerpiece of financial aid legislation at the federal level be the provision of grant support for degree-seeking students engaged in postsecondary studies at the baccalaureate level.

2. That it is in the national interest to require that institutions match the federal grants provided to students with equivalent grants from institutional resources.

3. That it is in the national interest to ensure that Pell grants are available to students from low and middle income families so that any student qualified to pursue and complete a baccalaureate degree is provided with both access to higher education and choice among all institutions suitable to maximize the fulfillment of the student's abilities and interests.

4. That it is in the national interest that the Pell grant to students be increased as an incentive for degree completion (or persistence) when the student passes the midpoint of his/her baccalaureate program of studies and that the campus-based programs be retained and strengthened as important ingredients in the federal financial aid commitment.

I commend the committee as it tackles the reauthorization agenda and thank the members for this opportunity to testify.

EXHIBIT A

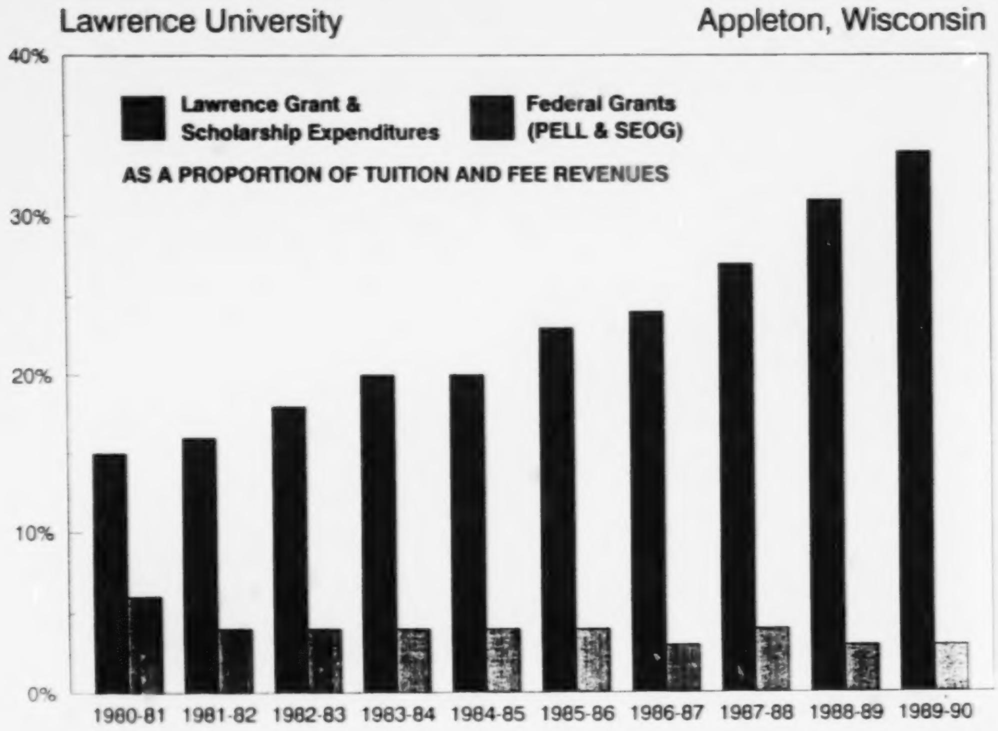
Lawrence University
Appleton, Wisconsin
Lawrence Grant & Scholarship Expenditures
Federal Grants (PELL & SEOG)
AS A PROPORTION OF TUITION AND FEE REVENUES
40%
30%
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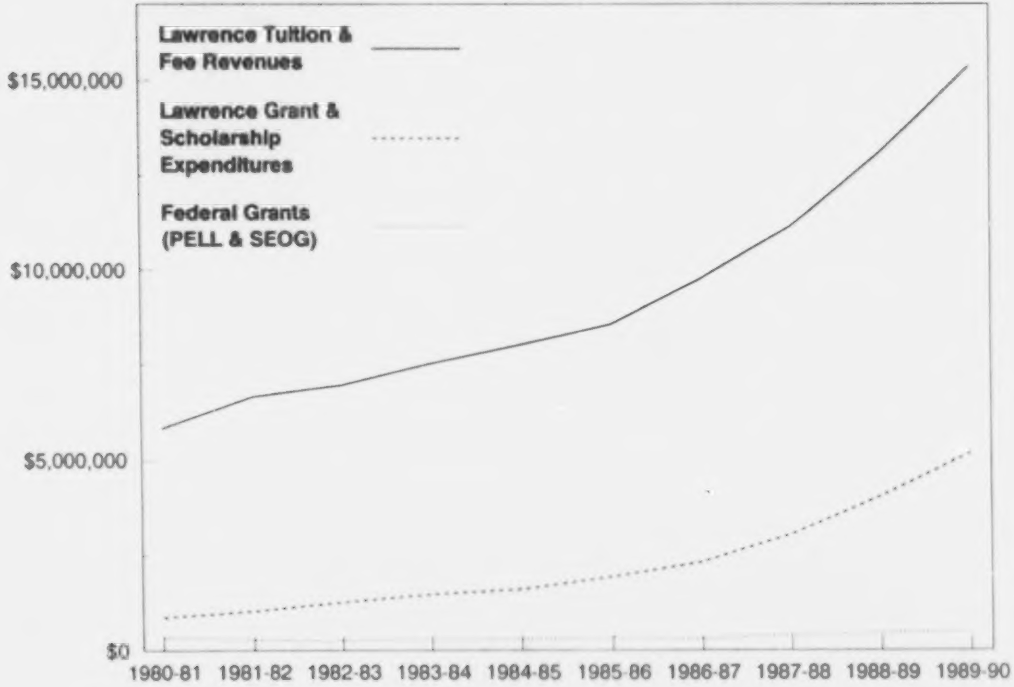
EXHIBIT B

Lawrence University Appleton, Wisconsin



Mr. **Sawyer**. Thank you for your thoughtful and well-focused statement this morning. As I mentioned, the whole thing will become a part of the record.

Dr. Lyall.

Dr. **Lyall**. Thank you, Mr. Chairman and members of the subcommittee. I want to add my welcome to Madison and extend greetings on behalf of the University of Wisconsin. Wisconsin is fortunate indeed to have three Representatives serve on the House Subcommittee on Postsecondary Education, especially at this time when you are considering a major revision of the Higher Education Act.

The reauthorization will have major implications for the UW System, which is one of the Nation's largest merged systems of higher education, as I am sure you know. We have 160,000 students, a $2.2 billion annual budget, 35 percent of which comes from State purpose revenues—general purpose revenues—and the rest from fees and other sources. So we have the Nation's leading public research university here in Madison, an outstanding urban doctoral university in Milwaukee, 11 high quality comprehensive universities and 13 first rate centers in small and large communities throughout the State. In addition, our statewide Extension serves as a national model for continuing education and the Wisconsin Idea, which is that the boundaries of the university are the boundaries of the State.

So in sum, you have here in Wisconsin an excellent cross-section of public higher education, enriched by our VTAE colleagues and the State's independent universities and colleges. Together, we should be able to provide you with some useful testimony on our respective needs and aspirations as you consider the reauthorization act.

Wisconsin is a State that has prided itself for many generations on access to quality public higher education. Balancing institutional quality with maximum access continues to be our major challenge, particularly in these difficult economic times, and as far ahead as we can see into the 1990's. Financial aid for our students is an integral and important part of the quality-access equation. In 1989-1990, over 55,000—that is about one-third of our students—received $192 million dollars in Federal financial aid. So I think you can see that if that assistance were to disappear, there would be a large number of students in this State and I am sure in others, that would at the very least have their education attenuated by many years and at the worst, would not receive higher education at all. And that is why I am deeply concerned about the Federal Government's role in financial aid for the economically disadvantaged.

As you know, Congress decided in 1965 that all Americans should have the opportunity to attend institutions of higher education regardless of their financial circumstances. And it was also decided that middle income Americans deserved some relief from the heavy burden of higher education costs. Over the years, the Federal role has been fine-tuned, but current law still largely reflects policies that were devised a generation ago.

In particular, Mr. Chairman, we are concerned with the following financial aid issues: the imbalance between grants and loans and the need to redress that situation, as President Warch has so eloquently spoken to you a moment ago; our concern for the middle income family and the needs of non-traditional students. That is, those who are—we define them in our statistics as those who are over the age of 24. I will also touch upon two direct loan proposals that have been advanced for public discussion. And finally, I want to say a few words about some of the important categorical programs from which we benefit.

Mr. Chairman, we join the chorus of others who urge you to redress the current imbalance between grants and loans. A decade ago, grants comprised about two-thirds of our financial aid packages and one-third were loans. In 1990, these proportions are essentially reversed. Because Pell grants have neither kept pace with the cost of college nor with the cost of subsistence, our poorest students are often required to borrow substantial funds in order to complete their student aid packages. Such borrowing is risky, not only for the student, but also for the American people. The poorest students, especially those whose parents did not attend college themselves, are uncertain whether they can succeed in higher education and this makes them reluctant to try, especially if they must accept a very high loan risk. If they turn out to be early dropouts, they get few benefits, but they are still saddled with a heavy loan burden.

One solution would be the conversion of Pell grants from an appropriated program to an entitlement. Thereafter, if students qualified under terms of the Act, they would receive their fair award without fear of reductions because of insufficient funds, as the program proceeded. Importantly, of course, awards would have to be large enough so that the poorest students would not have to rely excessively on loans to complete their aid packages.

Let me turn now to the more typical college students, the children of middle income parents.

We believe there are good reasons for extending Federal aid to middle income families. Many of these families need aid, despite careful savings, to maintain modest living standards when they have children in school.

Be assured that I am not suggesting a free ride for all of the middle class here. Middle income families should not be exempt from borrowing for a reasonable portion of the cost of college. What they really need is to become more eligible to borrow and to work. To this end, we support the elimination of equity in the family home and the family farm or business when calculating the family's financial need for Federal programs. Further, we would urge substantial increases in the funding of the College Work-Study Program. With these two changes, more families would be eligible to borrow and to work. And these changes would also garner broader support from a broader voting constituency.

Second, I hope you will examine closely initiatives taken by Wisconsin and other States, some of which were mentioned by Governor Thompson, that were designed and are designed to assist middle income families by providing incentives for parents and families to save for college. The Governor mentioned Wisconsin's Higher Education Bond Program, which provides real opportunities for thousands of parents and grandparents to invest for the educational future of their children and grandchildren. It would be useful for you to consider extending the benefits of such a program at the Federal level.

Next, I would like to mention a few things related to the important group of students we refer to as non-traditional students, those over the age of 24. They are, in fact, substantial in numbers and they reflect the changing world of the 1990's—a world with increased demands for two wage-earner households and the need for retooling of professionals to maintain their jobs and competitive status. You might be interested to know that nearly 40 percent—that is 40 percent—of our students in the UW system can now be classified as non-traditional. When that number reaches 50, I am not sure who we should label traditional and who we should label non-traditional.

At the UW System, we are increasingly concerned that full-time older students and students who carry a half-time load or better continue to have access to that advanced training. There are a number of changes needed for non-traditional students. These include changes in the way student budgets are constructed so that expenses for raising children may be included; raising the annual and cumulative fund maximums so that these students may borrow more, if necessary; and increasing the funding for the campus-based programs, such as SEOG, Perkins and College Work-Study. Right now, many students may be eligible for some of these programs, but either the maximum has stopped them from getting sufficient funds or the funds simply are not adequate on the various campuses. With these changes, more adults may return to college in search of a new career or, perhaps more importantly, to become better educated workers and citizens.

Before I turn to the categorical programs, I would like to mention briefly two new loan program ideas. One is the proposed direct loan program described in testimony that I believe you have received previously from the National Association of State Universities and Land Grant Colleges. We believe the idea has merit and should be explored as a concept which could be an alternative to the Stafford loan. However, we do see some potential problems and we would like to mention those. We are concerned about the ability of the Department of Education to handle the loan billing and collection function. We are also concerned that using the Pell grant program as a model may create unnecessary paperwork and other problems related to a centralized system.

While we believe the idea should be explored, we would also urge the committee to look at the expansion of the Perkins loan program as another alternative to this same problem. While the direct loan proposal has many appealing points, we urge that you carefully examine it for possible pitfalls and determine whether expanding Perkins might not be a better idea.

We are also pleased to note Congressman Petri's proposal for an income contingent program not based on need. It offers another alternative for middle income families and could help reduce the cost of borrowing for students enrolled in high-cost professional schools such as medicine, law and veterinary medicine. We hope the committee will explore all of these ideas thoroughly.

Now finally, I would like to mention simply some of the categoricals that are very important to the University of Wisconsin System. We are grateful to this subcommittee for supporting the array of graduate programs in Title IX of the Act. There are two problems confronting graduate education in this country that concern us greatly. The first is the declining proportion of U.S. students who are earning Ph.D.s across all disciplines. The second is the continued under-representation of women and minorities in many post-baccalaureate programs—both academic and professional.

There is evidence that these trends will continue even as the demand for Ph.D.s increases because of pending retirements in academia and the growing demand in industry. Thus, we are in the anomalous situation where our skilled work force will potentially diminish while our strongest economic competitors are rapidly expanding their investments in science and technology.

The reauthorization process gives the Federal Government an opportunity to fine-tune its graduate education programs so that they more effectively meet emerging national needs. We believe the subcommittee should look at two objectives there: The first would be enhancing the quality and diversity of college and university faculty through improved and expanded graduate programs that support Ph.D. training; and the second would be expanding individual opportunity through support provided to students from groups under-represented in careers requiring master's and professional degrees. In the next 6 to 8 years, we expect that 35 percent—that is more than one in three—of all the faculty in the UW System will retire. And we cannot replace these critical teachers and researchers with people of equivalent skill and distinction unless we begin right now to expand the pool of Ph.D.s in the 1990's.

Let me turn now to academic facilities. I know you will hear more about this in a moment from UW-Madison, but I would like to tell you that both teaching and research buildings on the Madison campus and elsewhere in our system are badly in need of major rehabilitation. They average over 30 years in age. We wish we were talking to appropriators of Federal funds, and know, on the basis of past history, that this subcommittee is sympathetic and probably would be willing to fine-tune the law, as our colleagues in the Washington-based associations have asked. Funding, however, is critical and prospects for funding, as you know, are not good. We support Title VII and we hope that it is possible to provide sufficient funds to the Department for this important national purpose.

Finally, I would mention that we also support FIPSE, the Fund for the Improvement of Postsecondary Education. FIPSE is a small program, but it is one of the most important success stories in the Department of Education. It givers institutions in higher management an opportunity to experiment with reform and to implement successful innovations. Despite the fact that FIPSE is only able to award about 70 new grants a year out of about 2000 applications, the UW System has a good record of success with these grants.

Since 1986, the System's institutions have received six grants—the majority at our comprehensive universities. Smaller institutions are well supported by FIPSE and that is as it should be.

In summary, Mr. Chairman, new directions can be charted for programs into the next century that continue the innovative ideas exemplified by the Higher Education Act of 1965 and the Pell Grant Program established in 1972. On behalf of the University of Wisconsin System, I wish you well and I know and hope that the testimony you hear today will be helpful in shaping prudent Federal policy for the rest of the decade.

Thank you very much.

[The prepared statement of Dr. Katharine Lyall follows:]

The University of Wisconsin System

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TESTIMONY — REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Katharine Lyall, Acting President
University of Wisconsin System

Mr. Chairman, members of the Subcommittee, I want to add my welcome to Madison, and extend greetings on behalf of the University of Wisconsin. Our great state is fortunate to have three of its Representatives serve on the House Subcommittee on Post-secondary Education. It is especially fortunate that you serve at this time while the Subcommittee is considering a major revision of the Higher Education Act.

The reauthorization will have major implications for the University of Wisconsin System--one of the nation's largest merged systems of higher education. In addition to its size--160,000 students and a $2.2 billion annual budget (35% from state general purpose tax revenues)--our System is one of great institutional diversity. We have the nation's leading public research university here in Madison, an outstanding urban doctoral university in Milwaukee, eleven high quality comprehensive universities, and thirteen first-rate Centers in small and large communities throughout the state. Our statewide Extension serves as a national model for continuing education and the Wisconsin Idea--that the boundaries of the university are the boundaries of the state.

In sum, you have here in Wisconsin an excellent cross-section of public higher education, enriched by our Vocational, Technical and Adult Education colleagues and the state's independent universities and colleges. Together, we should be able to provide you with useful testimony of our respective needs and aspirations as you consider changes in the Higher Education Act.

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Wisconsin is a state that has prided itself for many generations on access to quality public higher education. Balancing institutional quality with maximum access continues to be our major challenge, particularly in these difficult economic times of the 1990s. Financial aid for our students is an integral and important part of the quality-access equation. In 1989-90, over 55,000 of our students received $192.8 million in federal financial aid. That is why I am deeply concerned about the federal government's role in financial aid for the economically disadvantaged.

As you know, Congress decided in 1965 that all Americans should have the opportunity to attend institutions of higher education regardless of their financial circumstances. It was also decided that middle income Americans deserved some relief from the heavy burden of higher education costs. Over the years, the federal role has been fine-tuned, but current law still largely reflects policies devised a generation ago.

In particular, Mr. Chairman, we are particularly concerned with the following financial aid issues: the imbalance between grants and loans and the need to redress that situation; our concern for the middle income family; and, the needs of non-traditional students. I will also touch upon the two "direct loan" proposals that have been advanced for public discussion. Finally, I will have a few words to say about some of the important categorical programs.

Mr. Chairman, we join the chorus of others who urge with you to redress the current imbalance between grants and loans. A decade ago, grants comprised about two-thirds financial aid and one-third loans. In 1990, those proportions are reversed. Because Pell Grants have neither kept pace with the cost of college nor with the cost of subsistence, our poorest students are often required to borrow substantial funds in order to complete their student aid packages. Such borrowing is risky not only for the student but also for the American people. The poorest students, especially those whose parents did not attend college, are uncertain whether they can succeed in higher education. If they turn out to be early dropouts, they get few benefits but are still saddled with a heavy loan burden.

One clear solution is the conversion of Pell Grants from an appropriated program to an entitlement. Hereafter, if students qualify under terms of the Act they would receive their fair award without fear of reductions because of insufficient funds. Importantly, of course, awards must be large enough so that the poorest students will not have to rely excessively on loans to complete their aid packages.

Let me turn now to the more typical college students--children of middle income parents.

We believe there are good reasons for extending federal aid to middle income families. First many of these families need aid despite careful savings to maintain modest living standards when they have children in school.

Be assured that I am not suggesting a free ride for all of the middle class. Middle income families should not be exempt from borrowing for a reasonable portion of the cost of college. What they really need is to become more eligible to borrow and to work. To this end, we support the elimination of equity in the family home and the family farm or business when calculating the family's financial need. Further, we would urge substantial increases in the funding of the College Work-Study Program. By having these two changes, more families would be eligible to borrow and to work. This would also garner broader support from the voting constituency.

Second, I hope that you will examine closely initiatives taken by Wisconsin and other states that are designed to assist middle income families by providing incentives for parents and families to save for college. For example, with the leadership of Governor Thompson, the Legislature, and our Board of Regents, Wisconsin's Higher Education Bond Program provides real opportunities for thousands of parents and grandparents to invest for the educational future of their children and grandchildren. It would be useful for you to consider the benefits of extending such a program to the federal level.

Next, I want to talk about another important group of students, our non-traditional students over age 24. They are, in fact, substantial in numbers and reflect the changing world of the '90s--a world with increased demands for two wage-earner households and the need for retooling of professionals to maintain their jobs and competitive status. Nearly 40% of our students can now be classified as "non-traditional."

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At the UW System, we are increasingly concerned that full-time older students and students who carry a half-time load or better continue to have access to advanced training. Mr. Chairman, we suggest that there are a number of changes needed for the non-traditional student. These include: changes in the way student budgets are constructed so that expenses for raising children may be included; raising the annual and cumulative fund maximums so that these students may borrow more, if necessary; and, increasing the funding for the campus-based programs, such as the Supplemental Educational Opportunity Grant (SEOG), Perkins Loan Program and College Work-Study Program. Right now, many students may be eligible for some of these programs, but either the maximum has stopped them from getting sufficient funds or the funds simply are not adequate on the various campuses. With these changes, more adults may return to college in search for a new career or, perhaps more importantly, to become a better educated worker and citizen.

Before turning to the categorical programs, I want to discuss briefly two new loan program ideas. One is the proposed direct loan program described in testimony (attached) prepared by the National Association of State Universities and Land-Grant Colleges. We believe that the idea has merit and should be explored as a concept which could be an alternative to the Stafford Loan Program. However, we do see some potential problems. For example, we are particularly concerned about the ability of the Department of Education to handle the loan billing and collection function. We are also concerned that using the Pell Grant Program as a model may create unnecessary paperwork and other problems related to a centralized system.

While we believe that the idea should be explored, we would also urge the Committee to look at the expansion of the Perkins Loan Program as another alternative to the problem. While the direct loan proposal has many appealing points, we urge that you carefully examine it for possible pitfalls and determine whether the expansion of the Perkins Loan Program might not be a better idea.

We are also pleased to note Congressman Petri's proposal for an income contingent program not based on need. It offers another alternative for middle income families and could help reduce the cost of borrowing for students enrolled in high-cost professional schools such as medicine, law, and veterinary medicine. We urge the Committee to explore all of these ideas thoroughly.

Now for the categoricals: The University of Wisconsin is grateful to this Subcommittee for supporting the array of graduate programs in Title IX of the ACT. There are two problems confronting graduate education in this country that concern us greatly: First is the declining proportion of U.S. citizens who are earning Ph.D.s across all disciplines; the second is the continued underrepresentation of women and minorities in many post-baccalaureate programs--both academic and professional.

There is evidence that these trends will continue even as the demand for Ph.D.s increases because of pending retirements in academia and industry. Thus, while our skilled work force diminishes, our strongest economic competitors are rapidly expanding their science and technology investments.

The reauthorization process gives the federal government an opportunity to fine-tune its graduate education programs so that they more effectively meet emerging national needs. I believe that the Subcommittee should focus on two objectives: (1) enhancing the quality and diversity of college and university faculty through improved and expanded graduate programs that support Ph.D. training; and (2) expanding individual opportunity through support provided to students from groups underrepresented in careers requiring master's and professional degrees. In the next 6-8 years, we expect that 31% of all faculty in the UW System will retire. We cannot replace these critical teachers and researchers unless we expand the pool of new Ph.D.s throughout the 90's.

We endorse the American Council on Education's recommendations. In summary:

- Expand the minority undergraduate summer research internship program (IX-A) to include women;
- Modify the two Patricia Roberts Harris programs into two equally funded programs, one supporting doctoral study, and the other supporting master's and professional study, and add a year of dissertation support for Harris Ph.D. fellows, contingent upon satisfactory progress;
- Add a matching requirement of a year of university-funded, supervised teaching experience for the Harris doctoral and National Need traineeships.

Let me turn now to academic facilities (which I know you will hear more about from a representative of the UW-Madison). Both teaching and research buildings on the Madison campus and elsewhere are badly in need of major rehabilitation. They average over thirty years in age. We wish we were talking to appropriators of federal funds, and know, on the basis of past history, that this Subcommittee is sympathetic and probably would be willing to fine-tune the law as our colleagues in the Washington-based associations have asked. Funding, however, is the critical matter, and prospects for funding, as you know, are not good. We support Title VII and hope that it is possible to provide sufficient funds to the Department for this important national purpose.

Finally, I wish to draw your attention to FIPSE, the Fund for the Improvement of Post-secondary Education. FIPSE is a small program but it is one of the most important success stories in the Department of Education. It gives institutions in higher management an opportunity to experiment with reform and implement successful innovations. Despite the fact that FIPSE is only able to award about 70 new grants per year, the Fund receives approximately 2,000 applications for its annual competitions.

The University of Wisconsin has a good record of success with FIPSE grants. Since 1986, the System's institutions have received a total of six grants--the majority at our comprehensive universities. Smaller institutions are well supported by FIPSE, and that is as it should be.

The University of Wisconsin supports a proposal that was provided to your Subcommittee by the Midwestern Universities Alliance. It would authorize the Fund to establish special programs in areas of national need. It is a "such as" list that can be adjusted by the Fund or the Congress to meet evolving special needs of post-secondary education. We believe that congress should authorize $5 million to support new grants in the following areas:

1. International exchanges--to improve the participation rates of U.S. students in study abroad programs.

2. Campus climate and culture--to respond to drop-out problems, campus conflict, student alienation, and antagonism across group lines. The outcome, we hope, will make the campus climate more conducive to effective learning by all students.

3. Evaluation and dissemination--to ensure that maximum benefit is obtained from proven innovation grants and to provide careful evaluation and wide dissemination of successful projects.

In summary, Mr. Chairman, new directions can be charted for programs into the next century that continue the innovative ideas exemplified by the Higher Education Act of 1965 and the Pell Grant Program established in 1972. On behalf of the University of Wisconsin System, I wish you well and hope that the testimony that you hear today will be helpful in shaping prudent federal policy for the rest of the decade.

Attachment
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Mr. **Sawyer**. Thank you very much, Dr. Lyall.

Our final witness on this first panel is Dr. John Wiley, Dean of the Graduate School, University of Wisconsin-Madison.

Dr. **Wiley**. Thank you, Mr. Chairman.

In my capacity as Dean of the Graduate School at UW-Madison, I am responsible for the master's and Ph.D. programs, the graduate education component of the University's mission, and for the overall research climate on the campus, which as you know is intimately tied to graduate education, especially in the Ph.D. area where a large component of the work is literally the research itself.

Since our founding, we have produced about 28,000 Ph.D.s at UW-Madison, which we believe to be the largest number produced by any single institution in the country and probably in the world. These people are staffing colleges, universities, technical schools all over the country and the world, as well as our both private sector and public sector research laboratories in industry and national labs.

I strongly support the testimony that you have heard so far, especially in the area of graduate education, graduate student financial aid and the programs directed toward the special needs of nontraditional students and women and minorities. I strongly agree that these are areas that we need to give a lot more attention to.

My own testimony though will be directed to the research space crisis in our large research universities. This is a problem that has been amply documented in a long string of studies and reports that you have access to. I will refer specifically to the annual reports by the National Science Foundation, in the most recent of which—the 1990 Report—there is a documented deficit of approximately $10 billion in research space needed in our Nation's campuses and approximately a $4 billion need for renovations as a result of deferred maintenance.

I tried, in the written testimony which I will not go through in detail here, to outline how we got to this situation. But in essence, it is really a very simple process that continues to this day.

To conduct research requires three components. It requires people, the trainers and trainees who are actively engaged in the research; it requires equipment, especially in the science and technology areas, high-tech, expensive equipment; and it requires appropriately equipped space to conduct the research in, increasingly expensive space, I might add. Those three elements have to be present.

At the same time, the universities have access to an easily enumerated list of funding sources; one being tuition, which is largely ear-marked for the educational components, the teaching components of the students' experience; private and foundation gifts; State funding, in the case of public institutions in particular; and Federal funding. That is about it, four sources. And of the latter three, which are the ones that might potentially be tapped for research space construction, each of those sources has essentially the same priorities on the use of its funds.

There is no point in buying equipment if you have no people to operate the equipment. So obviously the people have to come ahead of the equipment and there is no point in buying equipment or building space rather if it is going to stand empty. So the priorities are people first, then equipment, then space.

Each of the potential funding sources points a finger at one of the others and says they are the ones who should build the space, we want our funds to go to the high priority items; namely people or sometimes equipment. That is the dilemma and that is the cycle that we have to break.

What we would like to suggest is that this is a shared partnership, that all three of those sources have to be tapped to solve the space crisis and I do not think it is an exaggeration at all to say that we are in a crisis situation right now and one that is getting worse steadily, that all three funding sources recognize it is a partnership and that the Federal Government in particular step up to this, as they did in the 1960's, up until the early 1970's, and assist in the construction of new research space and the remodeling and renovation of our existing space.

A second component of a possible Federal program to address this problem is a more realistic formula for the recovery of costs associated with space in the indirect cost negotiations. I fully am aware of all of the current controversy surrounding indirect costs, most of those surround the administrative costs, not the space component. And the way the formulas work today, amount to amortizing research buildings over a 50-year period, which is simply unrealistic. We need to be able to recover those costs a little more quickly so that there is an incentive for investing in new space.

As Governor Thompson mentioned in his testimony earlier, we believe that Wisconsin has pointed the way, with the very innovative and aggressive WISTAR program that Governor Thompson put forward this year. He—as he said, the State of Wisconsin is prepared to invest $225 million addressing the research space problem over the next 8 years. Of that total, $75 million is directed toward renovations and will be paid for by the State. Another $75 million in State funding will be allocated to new construction if, and only if, the institutions in the UW System who are proposing and benefiting from this space are able to raise an exactly equal matching amount, $75 million from non-State sources.

We would like to be able to write proposals and compete for some Federal funding to help with this match. At the present time, there are very few places that we can turn in the Federal Government to obtain a match. So as things stand, we have to rely almost entirely on alumni gifts and private foundations, which as you know, do not put space as their highest priority.

The space problem is one in all fields and all disciplines but by far the most serious problems and the largest dollar amounts are in ares of science and high technology. To the extent that we look to the reauthorization of the Higher Education Act to address issues of competitiveness, as Representative Gunderson said in his opening remarks, graduate education is a critical component of our national competitiveness. Graduate education is inherently research intensive and research requires high-quality space. I do not believe that there is any area in which the Federal Government might like to invest money to address the competitiveness issue that would have a bigger impact than in the area of research space.

We think Wisconsin is pointing the way toward a partnership program and we hope that the Federal Government will join in this.

Title VII would obviously be one place to lodge a component of the program. We believe that all of the agencies of the Federal Government that fund research should have a piece of it, should participate in it, because the mix of funds allocated on various campuses differs.

Thank you very much for this opportunity and I will be happy to answer any questions.

[The prepared statement of Dr. John Wiley follows:]

HOUSE COMMITTEE ON EDUCATION AND LABOR

FIELD HEARING

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Madison, Wisconsin

July 19, 1991

TESTIMONY OF JOHN D. WILEY

Dean of the Graduate School

University of Wisconsin-Madison

My name is John Wiley. I am Dean of the Graduate School at the University of Wisconsin-Madison. I am grateful for the opportunity to speak to you today about some major issues facing higher education, especially graduate education and research. My specific concern is with the state of our research facilities and equipment.

Permit me to explain something about the University of Wisconsin-Madison, about my responsibilities there, and about my own background. The University is a comprehensive research institution with a 1990-91 enrolment of over 43,000 students, 22%, or 9848, of whom are pursuing graduate degrees. Since its founding, the University has granted over 28,000 Ph.D. degrees, one of the largest totals for a single institution in the country.

UW-Madison is also a major player in the performance of research. The University regularly ranks among the top half-dozen schools in total annual expenditures for research and development, and in the top eight for federal R&D expenditures. In 1989, for example, UW-Madison ranked first among public institutions for both total and federal R&D expenditures.

As Dean of the Graduate School, I am responsible both for the general oversight of the graduate program, as well as the general research vitality of the campus. This combination of responsibilities recognizes the inextricable linking of graduate education and research.

In the interests of being completely open about my background and prejudices, I should point out that I am also a bench scientist, working in the equipment and facility intensive area of materials science research. I have seen first hand the problems created for both research and for graduate instruction when less than adequate facilities are available.

MAGNITUDE OF THE PROBLEM

The difficulties which exist in the research infrastructure at our nation's universities have been well-documented in a series of reports over the last decade. Construction of new facilities and renovation of existing buildings has not kept pace with developments in science and technology, nor even with the needs of maintaining existing space in its current condition. Deferred maintenance and deferred new construction are the rule, rather than the exception, in higher education.

According to the 1990 NSF Report on Science and Engineering Research Facilities at Colleges and Universities, needs for new construction have grown from $8.1B in 1988 to $10.6B in 1990. Although planned new construction in the subsequent two years has increased from $2.3B to $2.6B, the deferred amount has increased more, to $8.0B in 1990. A similar picture emerges when one considers repair and renovation of existing space. Although planned projects have increased from $0.8B in 1988 to $1.0B in 1990, the deferred need has increased by almost 50% in the same time interval, from $2.8B to $4.0B. It is clear that, nationally, there is a major unmet need for capital improvements, and more significantly, that need is growing at an alarming rate.

An even more dismaying picture emerges if we consider the situation at my own institution, the University of Wisconsin-Madison. About 35% of UW-Madison's research facilities are over 50 years old, as compared with 15% of the facilities at the average of the top 50 research institutions. Only 5% of our facilities are less than 10 years old, compared to 15% for the top 50 average. In all, the average age of buildings on our campus is about 40 years, and half the gross square footage on the campus was built more than 30 years ago.

These comparative data, together with the statistics quoted above for the nation as a whole, indicate that the situation with respect to research space at UW-Madison is indeed critical. There are now about 2.25M square feet of usable research space on this campus. Replacing the 35% which is the oldest would mean constructing almost 800,000 square feet of new space, at a cost of between $80M and $200M, depending upon the specific type of space to be created.

REASONS FOR THE PROBLEM

A number of factors have contributed to the creation of this very difficult situation. From the middle 1950's through the 60's, the federal government engaged in a massive building program to increase the capacity of our universities to carry out basic research needed to realize the technological potential of emerging disciplines. As part of the expansion, enrollment in undergraduate and graduate programs in the sciences and engineering also increased, encouraged by major fellowship support programs in the principal federal agencies. By 1970, however, the principal federal programs for the construction of facilities had terminated; shortly thereafter, student support programs were also sharply curtailed.

These actions led to what could be argued as a desirable curtailment in the size and support of graduate programs, especially in view of the limited job prospects for Ph.D. scientists in many disciplines. However, in retrospect it appears that the reduction in support, both for facilities and for students, was too abrupt. This is especially true in light of current predictions regarding widespread shortages of scientists and engineers in many areas in the 21st century.

Termination or reduction of federal support caused institutions to use what disposable funds they possessed to cushion the effects of the shock. In the competition between support of students and ongoing research projects, and the support of the infrastructure, the latter usually lost. This is understandable and probably defensible, but again not to the extreme to which it was carried. At the same time, state support for higher education in general, and research in particular was being restricted. The natural solution was to defer new construction, and even necessary maintenance, in the hopes that a more favorable funding situation, from the state and/or the federal government, would develop.

A second effect exacerbated the problem. At the same time that support for facilities, and even equipment was diminishing, new equipment and facility intensive disciplines were emerging. Even more established areas of research discovered the power of new equipment, and also new facilities. This added to the pressure on limited institutional budgets. Again, in the competition between new equipment and new facilities, the equipment usually won. It is more justifiable to put state of the art equipment in old space, than to construct new laboratories which must remain empty.

An additional facet of the problem is developed by the aging not just of the buildings, but also of our faculty itself. The replacement of retiring faculty with young investigators working at the forefront of the new science in general requires extensive remodeling of existing space, or the creation of new laboratories. Consider a new faculty member, an assistant professor in an experimental laboratory science. He or she has a short six years to construct the experimental apparatus, develop a scientific program, and establish a scientific reputation sufficient to merit promotion to tenure. It is imperative that adequate laboratory facilities be available upon arrival. Even a one year delay in a remodeling project can be fatal to the tenure hopes.

In the case of many public institutions, the states themselves must bear some responsibility for the shortfall in construction and renovation of research space. Even the limited amount of funds available from non-federal sources are frequently subject to such bureaucratic controls as to create impossibly long time scales for capital construction. In light of my previous comments, these time scales are incompatible with the nature of present day science and engineering. In addition, long delays and unnecessary red tape tend to drive up the costs of construction.

CHARACTERISTICS OF A SOLUTION

What should be the elements of a reasoned approach to the problem? It is clear that any solution will have to be multi-pronged, involving concerted action by the federal government, by the states, by the private sector, and by the institutions themselves. A first step should be to create a more realistic indirect cost use allowance or facilitated depreciation to encourage institutional investment in research facilities. This recommendation, enunciated in 1986 by the White House Science Council (Packard-Bromley) Report, has been echoed numerous times in the last five years. It is essential if we are to avoid allowing any new facilities to fall into obsolescence, in a repetition of the 1970's.

At most, however, this can only serve as a "keep-up" action. In order to address the $12B deferred capital construction and renovation identified in the 1990 NSF report, there must be a substantial renewed federal facilities program. In fact, there is an informal federal facilities program which is growing in each successive Congressional session. This is of course the practice of earmarking, by which particular institutions are able to gain specified facilities as riders to various appropriation bills. Such a practice does not subject the construction and renovation projects to the peer review which is essential to ensure the most value for tax dollars. The University of Wisconsin-Madison, in common with most first-tier research institutions, would prefer to compete for federal facility funds through the peer-review process, rather than through earmarking.

However, the earmarking scenario does suggest that in fact funds have been found, even in the difficult budget years which we now encounter, to support particular projects. Although exact numbers depend somewhat upon the classification of earmarks, common estimates run around $250M last year, with a total for the decade of about $1B.

Clearly, even devoting all these resources to a competitive facilities program would not be sufficient to erase our infrastructure problem. However, by requiring at least a 50% match from non-federal sources, the available funds could be at least doubled, which begins to make a major impact upon the problem. Just as it is obvious that the federal government should not provide all the money for this "catch-up" activity, it is also apparent that the states, or the private sector alone, cannot accomplish the task. This is truly a situation where federal investment, and a federal-state-private sector partnership is needed.

The State of Wisconsin, recognizing its shared responsibility for the state of research facilities, has just broken ground on a new engineering building at UW-Madison. This building is financed principally through state sources, with some private contributions. As a point of reference, the last new building on the engineering campus was built in 1968, from a combination of Department of Education and National Science Foundation funds. The contrast is instructive. What I suggest here is a combination of these two support mechanisms, a mixture of federal and non-federal funding.

As an example of the sort of action which could be taken, I would like to describe a program which the State of Wisconsin has just initiated. Under this program, called WISTAR, the State has agreed to provide over the next eight years $75M in research facility renovation funds, and an additional $75M in research facility construction funds, the latter to be matched equally from non-state sources.

I have two other suggestions to make regarding a comprehensive federal facilities program. The first is that it is probably useful to have it spread over a number of agencies. Title VII of the Higher Education Authorization Act is an obvious locus for a major sector of the program. It would also be useful to have components in the National Science Foundation and NIH, at a minimum. This tends to assure a broad representation for the research-intensive institutions, which have differing concentrations in their research specialties.

A second comment deals with the role of the Historically Black Colleges and Universities (HBCU), and emerging research institutions in such a facilities program. The recent small NSF program divided the funds up between tier I and tier II and HBCU schools. I suggest that it makes more sense to actually create separate programs for these various groups. Set asides create suspicion in all groups that somehow the playing field is not level. Only with distinct programs can Congress be assured of realizing its actual intent in the programs which it supports. It is important to address this point, since a principal justification advanced for earmarking is that it is necessary to assure that the emerging universities have some access to federal facility funds.

The problem of research facilities is obviously not the only concern of research and graduate education at a school such as UW-Madison. It is nevertheless a critical one, one which we must solve if we are to maintain our stature as a premier educational institution and a national research resource.

I would be pleased to attempt to answer any questions which you may have, either now or in subsequent written submissions.

Thank you.

Mr. SAWYER. Thank you very much, all three witnesses. Let me acknowledge that shortly after the beginning of this particular panel, our colleague who has been referenced frequently while he was on his way here, Tom Petri, has joined us and it is a pleasure to have a Wisconsin majority on this panel now.

I really want to let our friends from Wisconsin carry the bulk of the load this morning, but just let me ask you, Dr. Warch, you mentioned in your testimony a proposal for Pell, that would create a mid-point incentive that would increase loans or grants after the mid-point of a student's undergraduate career.

Dr. WARCH. Yes.

Mr. SAWYER. Our Chairman has spoken about an alternative proposal called front-loading. He believes that there would be a substantial savings and reduction in defaults on loans by front-loading grants.

Could you comment on that and your view of your mid-point proposal in relation to that?

Dr. WARCH. Let me start with the mid-point proposal. The mid-point proposal is really built around the notion that persistence to graduation is a critical issue. If the Nation is to be competitive in the future, I think, as I indicated in my written testimony, we need to get more students out of high school going into college; more students persisting through college; more students, as my colleagues from Wisconsin have indicated, going on to graduate school. And therefore, it seems to me that an incentive to persistence and in effect a reward for persistence through the Pell grant program could serve that end.

Now the front-loading issue that Congressman Ford has proposed is clearly, it seems to me addressed to the matter of trying to hold down the default problem on loans by substituting grants on the front end and then loans toward the back side. I do not think that that easy substitution is going to be effective, frankly. I think that the balance about which you have heard some in testimony so far of grants, loans and work, which is part of every student's financial aid package at Lawrence and I think every other independent college, needs to be maintained. And I am not sure that a program that would hold grants for 2 years and then go strictly to a loan program will serve the persistence issue, which I think is a critical one.

Mr. SAWYER. Thank you.

Dr. Lyall, you talked about graduate education. One of the proposals that we have had in front of us has dealt with the consolidation of programs under Title IX. I was wondering if you might comment on that.

Dr. LYALL. Well, we think that that is an important option to look at. The need that we are going to have for increasing graduate—the graduate pool, particularly the doctoral pool, in the next 6 to 8 years is going to be intense, and we compete with—particularly in the area of the sciences and computer science and so on—we compete heavily now with industry to recruit and retain those people.

And so it seems to us exceedingly important that the committee look carefully at the possibility of consolidating some of those programs.

Mr. **Sawyer**. To the degree that some of those programs are targeted at the very under-represented populations that you spoke of in your testimony, are they benefited from a reduction in specialization or do you believe that consolidation can continue to maintain that ability to target under-represented populations?

Dr. **Lyall**. Well I would think that if the rules were written correctly, that they could continue to maintain that kind of targeting. If not, I would urge you not to consolidate because the opportunity for increasing our Ph.D. pool, I think, lies precisely in attracting more women and minorities into graduate study under conditions in which they can reasonably expect to succeed and to complete those studies.

Mr. **Sawyer**. Just a quick comment. You and Dr. Wiley both mentioned the fact that the populations that our universities seek to serve are changing so rapidly. Part of the problem is that the programs to help finance university educations were written at a time when postsecondary student populations were profoundly different, and the expectations for how you measured need were substantially different. We were largely thinking of young people often still under the roofs of their parents, whereas today we are talking about the parents who are trying to raise yet another generation in a very different age. And the rules often just simply do not fit very well.

Dr. **Lyall**. I might just comment, Mr. Chairman, that you are looking at a product of a special effort of that kind that occurred in the late 1960's. I entered graduate study under a program at Cornell University that was replicated in a number of other universities at that time, which combined the assistance of funds from the Ford Foundation with funds from the National Science Foundation, to guarantee those of us who started 4 years of some kind of support—now it varied from year to year. Some years it was grants, some years it was teaching assistance, some years it was a loan program. But we were guaranteed 4 years of support if we would undertake graduate study full time, really put our shoulder to it and try to complete the program in 4 years. And at least in my field, the one that I am familiar with, in economics, you will find I think that people who benefited from those programs in the 1960's completed their degrees much faster and there were more women—I am not sure about minorities, but there were certainly more women who completed their graduate degrees under those programs.

Mr. **Sawyer**. Thank you very much.

Dr. Wiley, you make a strong case, it is certainly the same kind of case that was made by Justin Morrell when he really made the opportunity for national investment possible in higher education and in building plant created opportunity for an entire century of Americans. I suppose it is probably not fair to even begin to compare the College Construction Loan Insurance Association, Connie Lee, with a monumental undertaking like land grant colleges acts. But has the University of Wisconsin made use of that kind of construction financing and can you comment on its effectiveness?

Dr. **Wiley**. Since about the late 1960's, I believe 1968 was the last time one of the buildings on the Madison campus at least was built with any significant amount of Federal funds. Since that time, virtually all of our buildings have been built with State funds with the sale of bonds, general obligation bonds by the State of Wisconsin.

Just to sort of benchmark the process from my own experience, my tenure home is in electrical engineering so I am in the engineering faculty. Literally the last building that was built on the engineering campus was completed in 1968, that was built with funding from the National Science Foundation and the Department of Education. We have had no new construction since then until this year. We have just now broken ground, and if you tour the campus this afternoon you will see a mess on the engineering campus.

Mr. **Sawyer**. Congratulations.

Dr. **Wiley**. It is about a 60,000 square foot structure that is being built with primarily State funds and some private donations. It is not part of the WISTAR program, it predated it by a couple of years.

The next building that we expect to build on the engineering campus will probably be in 3 or 4 years, 50/50 State/non-State partnership. We hope to see the Federal Government back in this as a partner in the near future. Otherwise, graduate education in this country is in very deep trouble.

The average—Katharine mentioned the statistics for the system as a whole—the average age of buildings on the Madison campus is 40 years. One third of them are more than 50 years old. And I guarantee you there is very little you can do with a 50 year old building or 100 year old building in many cases, to bring it up to modern safety codes, modern standards for high-tech equipment, modern standards for research. In many cases, we would be much better off to bulldoze to the ground and build a new building.

Mr. **Sawyer**. Do not do that, use the building for other purposes. Mr. Goodling.

Mr. **Goodling**. Thank you, Mr. Chairman, I am going to yield my time to the big three and just say to Dr. Warch, I am glad you gave us an explanation of PC because we get a lot of people who are not educators, who indicate that whatever we give, they will raise their prices to take care of it, so I was glad for your PC explanation.

I will turn it over to the big three.

Mr. **Petri**. I would just like to begin by apologizing for being a few minutes late and to thank Chairman Ford, in his absence, for agreeing to have this hearing and you, Representative Sawyer, for agreeing to chair it in his absence and come here to Madison. We are very proud of our educational institutions in Wisconsin and all of us on the Education Committee recognize the importance of education and want to do what we can to help it become even better, not only in Wisconsin but around the country.

There are a lot of questions I could ask. I guess one of President Warch would be the trend of costs in education has seemed to be a little bit like medical costs, above other costs in our society. Do you think Federal aid and increases in Federal loans and grants and work study programs, various other Federal funds have contributed to the more rapid increase in education costs for students, or have been neutral or have tended to ameliorate the increases? It seems that if we make more money available, costs will rise faster than it will be spent and we will be left by the wayside.

Dr. Warch. Well I understand that set of concerns. I think if you go back over the past 10 years, Congress has successfully bought back over that decade a series of efforts by the administration to cut student funding. And despite Mr. Bennett's claim of some years ago, which I think has been substantively and decisively corrected, I think it is in fact the diminution of Federal aid funds over the years that have contributed to the rise of prices. The statistics I gave of Lawrence, the percentage of its budget going to financial aid, has been considerable. It is in a sense the driving area of our entire budget and we too face the infrastructure problems, on a different level but nonetheless of the same sort that UW faces.

So I think if I were to answer your question clearly, my argument would be that the diminution of Federal grant aid over the past decade has probably contributed to the rise in those costs, but I think at the same time one has to look at the full spectrum of what colleges and universities are attempting to do and at the graduate level, if we want to prepare the young people to go on to graduate programs in science, we need to teach them modern up-to-date science, and that is expensive at the undergraduate college level as well.

Computer technology has simply become a fact of educational life in higher education, and if one is going to extend that access, the costs are going to rise.

So I do not think the Federal role should be seen as the culprit here by any imagination, but if you want to ask its role, I think it would have driven the cost rather than arrested it.

Mr. Petri. Just one other question—Mr. Chairman, I will just ask one other because of time and I am not sure who to address it to.

Columnist Bob Samuelson and a lot of other people, some of my constituents from time to time say when you give grants and loans, why do you not condition it on performance, academic performance or progress somehow, rather than not doing that. Do you have any reaction to that idea? Would it be a good idea to only give Federal grant money to people who have need and who are in the top half of their class, for example, or some other such arbitrary cutoff? Should we be looking more at performance as well as need or should we attempt to continue to avoid that whole thicket?

Dr. Warch. I will take the first crack. My inclination would be to avoid it on the grounds that it will pose some problems that I am not sure any one of us will have the intelligence to solve. If you look upon the full range of postsecondary opportunity this country offers its young people and its non-traditional students, one is going to find that different institutions will take different cuts of what is called the performance range of young people. And unless you are going to scale performance to institutional expectation, which will be highly complex, it seems to me the student who might enroll in a technical program might, on one set of measurements, have a performance level quite other than a student who is going to enroll in the biology program at a 4-year college. But in terms of what the expectations are, that student is serving his interests or her interests and aspirations and it seems to me that the aid ought to be available as a consequence.

I think the performance issue is handled to an extent by making these awards available to students who are progressing through a program. And if one has confidence, which I suppose is another question, in the value of the measurement systems used by educational institutions to certify that students are making progress, that seems to me a way that the institutions ought to be left to monitor that on their own.

Dr. **Lyall**. I might just add to that, I agree with that view. It seems to me we do have a built-in performance requirement in the sense that students who receive aid have to be in good standing. And maybe the universities need to do a better job of where we set the good standing standard. But short of that question, it seems to me that you introduce an equity problem when you go to conditioning financial aid upon performance in that, in effect, you are saying if you are rich, you can continue your college education if you have less than a C average or whatever, but if you are poor enough to need financial aid, we will cut off that opportunity to you at a higher level and it seems to me that that is to be avoided if we can.

Dr. **Wiley**. I might just comment from the graduate student perspective. First of all, you have to realize and I am sure you do realize, that most all the students who get into graduate school were in the top few percent of their high school class and then in the top few percent of their college class and they cannot all be in the top half of graduate school. I mean that is——

[Laughter.]

Only half of them can.

[Laughter.]

But virtually all of the financial aid that is available to graduate students is in some way or another performance based and all of it requires continued satisfactory progress toward a degree.

Mr. **Sawyer**. Mr. Gunderson.

Mr. **Gunderson**. Thank you, Mr. Chairman. I think it has been discussed by two of my colleagues but I do not want to drop the issue totally, just share with you that we cannot ignore the cost issue. The reality is, if I have the numbers correct, that during the decade of the 1980's, Federal aid to higher ed increased 17 percent above inflation. The problem is that the cost of higher ed is 36 percent above inflation. In view of the issue of access, we do a disservice to all students if we do not admit we have got a problem. I am not saying who the villains are and probably there are no villains, but we do have a problem that we cannot ignore because no State, no Federal treasury and certainly no school or foundation has unlimited resources to deal with that situation.

I want to, in the interest of time, focus on the area of the non-traditional. Dr. Lyall, you talked about campus based programs as being your major preference for the non-traditional student, which I think may be the way we want to move. Do you see any particular modifications to those programs necessary to better serve the non-traditional and part time student?

Dr. **Lyall**. I am not prepared to suggest particular modifications to specific programs to you, except to indicate that the problem, as we experience it, with assisting non-traditional students, is the need for enough flexibility so the financial aid officer can put together an aid package that appropriately reflects whether they have time to engage in work study or not, whether they need grants or loans, whether they are engaged in a program that will lead to a relatively high earnings pattern in the future or one that—you know, are they in teacher education or nursing or one that is going to have a rather low earnings pattern in the future, and so on.

The campus based programs give the financial aid officer that kind of flexibility to construct the package the way the student can best use it.

Mr. GUNDERSON. Thank you. Thank you, Mr. Chairman.

Mr. SAWYER. Mr. Klug.

Mr. KLUG. Dr. Warch, one of the questions I want to follow up on is the fact that you indicated that as Federal dollars have shrunk, private universities and colleges have moved to more institutional support for students who are attending colleges and universities. At some point, is there a long range problem in that; that is, as the costs continue to rise, the Federal dollars plateau and your commitment or component of individual costs continue to rise, at some point you cannot do it any longer. Is it threatening in some ways, perhaps not Lawrence or Marquette at this point, but maybe other institutions?

Dr. WARCH. Yes, it is threatening and I think some institutions have already faced the threat in the following way. There is a phrase in the financial award business called "gapping"; that is, that a student will demonstrate for the sake of this argument $1,000 of need, and you will provide, through loans, grants, work study, $800 of need and you will say to the student, $200 is missing and you are going to have to find it. We do not gap and we also agree to meet full need of all qualified students.

The issue that a number of institutions and some of them well heeled have come to, Smith College would be an example, have simply capped the financial aid and said after this only the full pay students are going to be able to be enrolled because we simply cannot afford any more financial aid dollars. Now we have not reached that point, though I will tell you it is a discussion on our and I will bet every other campus.

So if you ask have we got a long term problem, we definitely have a long term problem. Just as only 50 percent of the students can be in the top 50 percent of the class, only 100 percent of the dollars we have can get spent. And with costs driving us in terms of wages and in terms of instructional program and library acquisitions, as financial aid creeps up, it eats into those other programs. So I think we do have a problem at Lawrence and at other institutions as well. We have an endowment that gives us a buffer, but not a lot of places have that luxury.

Mr. KLUG. Dr. Wiley, just one quick question for you. As part of the component of the indirect costs that you receive back from the Federal Government for research done at the University, is part of that money directed at facilities overhead, and if so, is there no way to recoup more money to help with construction projects?

Dr. WILEY. Yes, part of it is. There are two different systems that OMB allows. We are on the system known as the use allowance cost accounting, which allows us to deduct 2 percent of the cost of a building or the cost of any research space that is used in the conduct of the research, per year. Two percent, per year, amounts to depreciating it over 50 years. And that is inadequate to build a new building, for example.

If we wanted to build a building through the sale of bonds expecting to repay the bonds through the monies recovered from the use allowance, we could not do it, by about a factor of three. We could pay for maybe a third of the building that way. It simply does not allow it to be done.

Mr. KLUG. How much of a dent will that little WISTAR program make in the facilities problem in Wisconsin?

Dr. WILEY. Just about all of it is directed at the physical and biological sciences and for those two areas, the WISTAR program in the next 8 years we believe will address a little over half of the known, currently identified needs. That does not address any projected growth, simply the existing problem.

Mr. KLUG. Thank you.

Mr. SAWYER. Thank you all very much for your testimony. I gather that it is only over in Lake Wobegon where all the children are above average and the rest of us have to live with the arithmetic of the real world.

[Laughter.]

Thanks for being with us today.

Our second panel today consists of Wallace H. Douma, Director of Financial Aid, The University of Wisconsin; Robert D. Sather, Director of Financial Aid, University of Wisconsin, Eau Claire; Mahrie Hightower, a student at Viterbo College and Erik Gundersen, a student at University of Wisconsin Medical School.

Welcome. Let me again emphasize that the full text of your testimony will become a part of the record and we welcome you and urge you to summarize or expand upon your testimony as best suits your needs this morning. Welcome and good morning, Mr. Douma.

STATEMENTS OF WALLACE H. DOUMA, DIRECTOR OF FINANCIAL AID, THE UNIVERSITY OF WISCONSIN; ROBERT D. SATHER, DIRECTOR OF FINANCIAL AID, UNIVERSITY OF WISCONSIN-EAU CLAIRE; MAHRIE HIGHTOWER, STUDENT, VITERBO COLLEGE AND ERIK GUNDERSEN, STUDENT, UNIVERSITY OF WISCONSIN MEDICAL SCHOOL

Mr. DOUMA. Thank you very much. I am very flattered by Mr. Sawyer pronouncing my name correctly the first time.

I am Wallace H. Douma, Director of the Office of Student Financial Services at the University of Wisconsin-Madison, a post I have held for the past 27 years. My comments are based on this long experience in dealing with the wide variety of programs that the government has had since the inception of the Higher Education Act in 1965. As you can tell, both the Act and I arrived on the student financial aid scene at about the same time. It is not really true that I testified for the Land Grant Act.

[Laughter.]

UW-Madison has about $50 million in federally related financial aid programs, so this is a big issue, we are very involved and concerned with it.

To begin with, we would like to reinforce the old adage, "If it ain't broke, don't fix it." We think this saying applies to the three campus based programs; that is, the College Work Study Program, the Supplemental Educational Opportunity Grant Program and the Perkins Student Loan Program. We are not so sure about Pell and Stafford. We believe all of these campus based programs are working extremely well for both the student and for the taxpayer. We would like to highlight the superior qualities and advantages of each of these programs.

The College Work Study Program we believe is one of the most successful student aid program and should be expanded. And incidentally, we hope that the House Bill concurs with the Senate in the current appropriations and increases that amount for that program for the coming year. The Work Study Program utilizes the taxpayers' dollars twice; first, by helping the student pay for his or her college expenses, and secondly, by helping the employer keep down expenses and expand services. For example, students at UW-Madison receive much better service at the Student Financial Services Office because we are able to employ many more student assistants than would otherwise be possible. Likewise, community non-profit agencies can expand their services to citizens of the communities because they are able to employ students at a relatively low cost to themselves.

In addition, there are other benefits. In many cases it has been shown that students who work get better grades than students who do not work and often their retention rate is higher and secondly, by having jobs available, it reduces the need to rely on borrowing.

The only change we would suggest would be to be concerned that the private sector continues to be involved and not be eliminated as has been suggested. Further, we would want to expand the program by eliminating the 25 percent limitation that is now in place and eliminate the need that the job has to be related to the academic field of the student.

Moving on to the Perkins Loan Program, we want to indicate that we have a low default rate, 3.75 percent this year, it also is the largest Perkins loan program in the country. We are loaning out about $8 million a year in this program to 6,200 students.

Again, we believe this program is working well. We urge its expansion in an effort to reduce reliance on the Stafford loan program. In contrast to the Stafford Loan Program, the school has a stake in making the Perkins program work, and we think this is the vital difference. The school needs to be concerned about who receives the loans and also about good billing and collection practices. Since the Stafford program is now a fully need-based program just like the Perkins program, we see no reason to delay putting more money into the Perkins loans and thereby reduce the school's reliance on Stafford loans. To this end, I am sorry to see that the appropriations did not stay even with last year I believe. The Perkins program is far cheaper to run, there is no interest subsidy to pay the lender and no defaults to cover. If the school does not collect the money, they simply lose it—a built-in incentive to do a good job.

It seems to us that the taxpayer's dollar is much better utilized in the Perkins program than in the Stafford loan program. This is not to suggest that the Stafford loan program should be eliminated, but we do think it should be carefully reviewed in light of the excellence of the Perkins program and new loan proposals recently introduced. Perkins puts more responsibility on the school to do a good job in managing their money and under the Stafford loan program, schools have little or no risk, as we have seen with some of the schools that have taken advantage of it.

Moving on to the Supplemental Educational Opportunity Grant Program, we think this program works very well and would urge its further expansion. And we are delighted to see that the appropriations increased that $50 million for the coming year. SEOG complements the Pell grant program, gives aid officers needed flexibility to respond to unique student situations, and allows the school more grant funds to meet the requirements of high-need, low-income students. These are the students who otherwise would be forced to turn to borrowing and who may not even enroll if they have to rely on borrowing.

Congressman Gunderson has asked for some "radical ideas." In my testimony on this same subject in 1983—you see, I have been around a little while—I suggested that the Pell grant program be incorporated into the SEOG program or at least decentralized with the funds being given to the schools to run similarly to the SEOG program. It would have saved the government almost $20 million because we would have eliminated the Federal contractor, the Pell Grant branch in the Department of Education, tons of paper and a lot of energy that we do not think was very well used.

It was a radical idea in 1983 and it still is. However, I would like to see it explored again. With the new centralized delivery systems we have in place today, is there any reason to keep Pell centralized? Why cannot the funds be allocated directly to the schools, based on the prior 5 years' expenditures, and the schools be told to manage it under whatever Pell rules are promulgated? Let us get rid of sending tapes back and forth, electronic data exchange and all that other unnecessary kind of thing. We can get the money directly into the hands of students much more efficiently without all the centralized management. However, if we do continue with a centralized system, we certainly do need SEOG to fill in the gaps left by the Pell grant program. Wisconsin dairy farmers are poorly served by the Pell grant program, but the SEOG program can respond to their unique needs because of its flexibility. At this point, what I am talking about here is dairy farmers may have assets, but under the Pell formula, we have to count them. With SEOG, we can take them and say they cannot get a cent by borrowing against assets, you cannot even sell the dairy farm, and with the SEOG program we can take that into account.

These are the programs that do not need fixing. Do not tamper with them in any major way. Make some modifications to improve them, but all in all they work well. On the other hand, we would modify Pell and Stafford so that more money can be put into the campus based programs, and this leads me to my next comments which are more general in nature.

Under "General Issues," we would like to suggest that the funding for trade schools might appropriately be moved from the Department of Education to the Department of Labor. This is another radical idea for Mr. Gunderson here. Further, we would take the money now going to these students on——

Mr. **Sawyer**. Do you want credit for all these?

Mr. **Douma**. Pardon me?

Mr. **Gunderson**. He wanted to know if I wanted credit and I said I am not ready to endorse your idea, but I am delighted somebody is listening.

Mr. **Douma**. Listening and mainly to stimulate some discussion. I am not sure how many other people would want to take credit for it either.

Further, we would take the money now going to these students on an individual basis and give it directly to the schools to help them reduce their charges to students. We would do this in the form of block grants to the school which would be given under careful scrutiny. In order to qualify for these block grants, the schools would have to meet rigid requirements set up by the Department of Labor, which would be based on criteria that would include how well the graduates from these schools do in the workplace. For example, do they get jobs in their field? Are they being trained in areas where there are shortages? Do students complete their courses? Is there an appropriate relationship to the trade or vocation in which they are studying, for example, ties to industry or unions? I am sure there are other criteria that could be included, but I am not really qualified to discuss them. I simply want to bring this thought to stimulate discussion.

My point is that it is time to make a dramatic change in the way we aid students attending 1 and 2 year trade schools and we need to look at this. Stafford loans and SLS are not the answer. Further, these students take enormous amounts of Pell grant funds, and I am very concerned about that because that is a drain on programs which could possibly be utilized by other students and is not the best use of the money. We feel there needs to be a bold new initiative in this area. In this case, we think it is broken, and it does need fixing.

Moving on to some other things. In general, we think the historic rationale that parents and students have the first responsibility for financing a college education remains sound. Just how this support is to be determined; that is, the need analysis system, will be addressed later. As we have indicated before, we think that the campus based programs are the most efficient and cost-effective means of delivering aid to students and they need to be expanded. We have concerns, as indicated before, about a rigid, centrally managed grant program such as the Pell program which in many cases does not reflect the student's real or their family's real financial situation.

Finally, as we said previously, we think the Stafford loan program needs a thorough review mainly with the idea of reducing the cost of the program or eliminating it if other sound alternatives are available. These savings can then be placed in programs which put the dollars directly toward meeting the actual educational costs of the student. One way part of this cost reduction can be accomplished would be by having the lenders and the guarantee agencies assume some risk as well as having the schools assume some risk.

Moving on to need analysis, we believe that need analysis should be removed from the Federal statutes. The system worked well before, it was not broken, and then Congress fixed it. The student aid community and the Department of Education, along with Congressional committee oversight, can best manage the need analysis system. It should not be in the statutes. If it is not removed from the statutes, we at least should eliminate some of the more onerous minor categories, such as the displaced homemaker and dislocated worker groups. These people make up a tiny percentage of the total aid recipients, yet they have been incorporated into a national system, much to the detriment of everybody involved. In some cases, including the students who were supposed to be helped by these categories. A major change we would endorse is changing the way home equity is handled as part of the need analysis, and this has been mentioned before. The change would help middle income families qualify for loans and work study if the funds are increased. And finally, we need only one need analysis system. We do not need to have one for the Pell program and one for all other programs.

You have my comments on the independent student definition and I am not going to go into that for the sake of time.

I want to talk a little bit about Pell grants. We have spoken about our feelings on SEOG and the Pell grant earlier. In addition to giving Pell to the schools, we believe the aid officer should permanently be given the option of professional judgment in dealing with the results of the Pell centralized need analysis in order to respond, again, to the unique needs of individual students.

In addition, we would suggest that, at the school's option, the maximum Pell grant for freshmen and sophomores be increased and that the students who have completed the sophomore year have a lower maximum. Something was mentioned earlier about moving something to the freshmen and sophomores. But we would not eliminate it for upper classmen. Juniors and seniors in all likelihood will complete their degree and pay off any debt they may have with no problem. We believe that more focus should be placed on the freshmen and sophomores receiving support from the Pell grant program.

Skipping quickly over to the TRIO programs, we want to make clear our wholehearted support for the TRIO programs and we are happy to see the appropriation was boosted significantly for that in the coming year. We are not experts in the TRIO program area, but we believe that the direction coming from Arnold Mitchum, who was formerly of the Marquette University programs and who came from UW-Madison, and to his organization, the National Council for Educational Opportunity Programs, will provide all the expertise that is needed and we urge Congress to listen to their suggestions.

In summary, we wish to emphasize the following points:

First, all changes should be made keeping the students' need as the primary focus. To this end, we believe as much control as possible should be delegated to the campus aid officer. Students can deal with this person and not be forced to accept some rules coming from Washington that simply do not fit.

Secondly, integrity. We must restore integrity to the aid programs. This should be done by focusing on institutions that are not handling programs well and thereby hurting students. I want to second the Governor's remarks that, quote, "Integrity cannot be assured through heavy-handed regulation that causes problems for all students regardless of where they enroll." Illustration of this is the double disbursements that are required for the GSL program in the summer or the 30-day delay required of everybody in getting a guaranteed student loan if they are a first-time borrower. Taxpayers and students deserve no less than to make sure that these programs are well handled.

Third, simplicity. The need analysis and delivery systems need to be simplified. The current process must be reviewed to ensure as much simplicity as possible so more students will use it. However, I want to emphasize this, it must not be made so simple that tax dollars are poorly spent or that low income students are hurt, which could happen if you simply eliminate many, many questions. Also, we must make sure that the integrity of the programs is not undermined because of procedures that are simply too simplistic.

The grant/loan imbalance, as has been stated by many others, we need to address the grant/loan imbalance problem. We may not be able to do this in the short run, but it must be a primary concern for the next 4 or 5 years. New sources of funding must be found. This can be done in several ways, such as shifting money from other areas—for instance, my favorite is from the Defense Department, but I understand that cannot be done so easily as I might like it to be done. Cost savings derived by shifting from a Stafford type loan to an IDEA type loan program; and finally, creatively seeking new sources of funding.

Finally, helping the middle income family. There must be sensitivity to the growing frustration of the middle income family. This can be done by reviewing the need analysis system and the role the home equity asset plays in the need analysis formula. It can also be done by expanding the loan maximums in the various programs and increasing College Work Study funding. Further, we must thoroughly explore loan concepts such as the IDEA program which may be a very real benefit to middle income families. We also should explore the idea of using IRAs for education and also consider giving taxpayers a break on the interest paid for educational loans, so that gives an allowance on the income tax side. These new loan ideas must be thoughtfully conceived and well managed at both the institutional and Federal level, however. I want to help the middle income, but again, I do not want to hurt the integrity of the program.

That completes my testimony and I am sure you may have some questions after we are done with the panel. Thank you for your time.

[The prepared statement of Wallace H. Douma follows:]

Testimony Regarding the Reauthorization of the Higher Education Act of 1965

Wallace H. Douma
Director, Office of Student Financial Services
University of Wisconsin–Madison

July 19, 1991

I am Wallace H. Douma, Director of the Office of Student Financial Services at the University of Wisconsin-Madison, a post I have held for the past 27 years. My comments are based on this long experience in dealing with the wide variety of programs that the government has had since the inception of the Higher Education Act of 1965. As you can tell, both the Act and I arrived on the student financial aid scene at about the same time.

To begin with, we would like to reinforce the old adage, "If it ain't broke, don't fix it." We think this saying applies to the three campus-based programs, that is, the College Work Study Program (CWSP), the Supplemental Educational Opportunity Grant (SEOG), and the Perkins Student Loan Program. We believe all of these programs are working extremely well both for the student and for the taxpayer. We would like to highlight the superior qualities and advantages of each of these programs.

A. College Work Study Program (CWSP)

We believe that this is one of the most successful student aid programs and should be expanded. It utilizes the taxpayer's dollar twice; first, by helping the student pay his/her college expenses, and secondly, by helping the employer keep down expenses and expand services. For example, students at UW-Madison receive much better service at the Student Financial Services Office because we are able to employ many more student assistants than would otherwise be possible. Likewise, community non-profit agencies can expand their services to citizens of the communities because they are able to employ students at low cost to themselves.

This program has two additional benefits in that: a) in many cases it has been shown that students who work get better grades than students who do not and often their retention rate is higher, and b) having jobs available reduces the need for students to rely on borrowing.

The only change we would suggest would be to explore the possibility of expanding jobs to include the private sector. Many small towns where colleges are located do not have many job opportunities outside the campus. By expanding the jobs to include private employers, more jobs would be available for students. (And possibly many more opportunities that relate to the student's academic interest.) This provision would be handled at the school's discretion and if extended, we would urge that the cost be split on a 50/50 basis to the private sector, still a very attractive option for any employer.

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B. Perkins Student Loan Program

Again, we believe this program is working well. We would urge its expansion in an effort to reduce reliance on the Stafford Loan Program. In contrast to the Stafford Program, the school has a stake in making the Perkins Program work. The school needs to be concerned about who receives the loans and also about good billing and collection practices. Since the Stafford Program is now a fully need-based program, just like the Perkins Program, we see no reason to delay putting more money into Perkins Loans and thereby reduce the school's reliance on Stafford Loans. The Perkins Program is far cheaper to run -- there is no interest subsidy to pay the lender and no defaults to cover. If the school doesn't collect the money they simply lose it -- a built-in incentive to do a good job.

It seems to us that the taxpayer's dollar is much better utilized in the Perkins Program than in the Stafford Loan Program. This isn't to suggest that the Stafford Loan Program should be eliminated, but we do think it should be carefully reviewed in light of the excellence of the Perkins Program and the new loan proposals recently introduced. Perkins puts more responsibility on the schools to do a good job in managing their money. Under the Stafford Loan Program the schools take little or no risk.

C. Supplemental Educational Opportunity Grant (SEOG)

We also think this program works very well and would urge further expansion. It complements the Pell Grant Program, gives aid officers needed flexibility to respond to unique student situations, and allows the school more grant funds to meet the requirements of high-need, low income students. These are the students who otherwise would be forced to turn to borrowing and who may not even enroll if they have to rely on loans.

Congressman Gunderson has asked for some "radical ideas." In my testimony on this same subject in the July 1983, I suggested that the Pell Grant Program be incorporated into the SEOG Program, or at least decentralized with the funds being given to the schools to run similarly to the SEOG Program. It would have saved the government almost 20 million dollars because we would have eliminated the federal contractor, the Pell Grant branch in the Department of Education, tons of paper, etc. This was a very radical idea then, and still is.

I still would like to see the idea explored. With the new centralized delivery systems is there any reason to keep Pell centralized? Why can't the funds be allocated directly to the schools, based on the prior five years' expenditures, and then schools be told to manage it under whatever Pell rules are promulgated? Lets get rid of sending tapes back and forth, electronic data exchange and all that other unnecessary stuff. We can get the money directly into the hands of students much more efficiently without all of the centralized management. However, if we do continue with a centralized system, we certainly do need SEOG to fill in the gaps left by the Pell Program. Wisconsin dairy farmers are poorly served by the Pell Grant Program, but the Supplemental Education Opportunity Grant Program can respond to their unique needs because of its flexibility.

The changes we would make would be to eliminate the direct link that now requires every Pell Grant recipient to receive some SEOG. In most cases this is unnecessary. If the student really needs SEOG, the school will be sure that it is awarded. If there are other resources, such as state or institutional grants, BIA grants, VTAE grants, etc. the requirement to give a minimum SEOG is simply unnecessary. Also, SEOG should be directly linked to need and not to what resources the student has.

These are the programs that don't need fixing. Don't tamper with them in any major way. Make some modifications to improve them, but all in all they work well. On the other hand, we would modify other programs so that more money can be put into the campus-based program, and this leads me to my next comments, more general in nature.

General Issues

Under "General Issues" we would like to suggest that the funding for trade schools might appropriately be moved from the Department of Education to the Department of Labor. Further, we would take the money now going to these students on an individual basis and give it directly to the schools to help them reduce their charges to students. We would do this in the form of block grants to the school which would be given under careful scrutiny. In order to qualify for these block grants the schools would have to meet rigid requirements set up by the Department of Labor which might be based on criteria that would include how well the graduates from these schools do in the work place. For example, Do they get jobs in their field? Are they being trained in areas where there are shortages? Do the students complete their courses? Is there an appropriate relationship to the trade or vocation in which they are studying, for example, ties to industry or unions and so forth? I am sure that there are other criteria that could be included, but I am not really qualified to discuss them.

My point is that it is time to make a dramatic change in the way we aid students attending one- and two-year technical and vocational and proprietary schools. Stafford Loan and SLS are certainly not the answer. Further, these students take enormous amounts of Pell funds which may not lead the recipient to a productive job. We feel there needs to be a bold, new initiative in this area! In this case, "We think it is broken and it does need fixing."

Moving on to other student aid issues, we have comments on the following:

Financing

In general terms, we think the historic rationale that parents and students have the first responsibility for financing a college education remains sound. Just how this support is to be determined, that is, the need analysis systems, will be addressed later. As we have indicated before, we think that the campus-based programs are the most efficient and cost-effective means of delivering aid to the students and they need to be expanded. We have concerns, as indicated before, about a rigid, centrally-managed Pell program which in many cases does not reflect the student's real financial situation.

And, finally, as we said previously, we think the Stafford Loan Program needs a thorough review mainly with the idea of reducing the cost of the program or eliminating it if other sound alternatives are available. These savings can then be placed in programs which put the dollars directly toward meeting the actual educational costs of the student. We think part of this cost reduction can be done by having the lenders and the guarantee agencies assume some risk and then having the schools assume some risk. This can be done either by having an expanded Perkins Program, our favorite idea, or if the school is not in the Perkins program, by assuming some of the risk of their Stafford funding.

Need Analysis

Need analysis should be removed from the federal statutes. The system worked well before — it wasn't broken — and then the Congress "fixed it." The student aid community and the Department of Education, along with congressional committee oversight, can best manage the need analysis system; it should not be in the statutes. If it is not removed from the statutes, we at least should eliminate some of the more onerous minor categories, such as the displaced homemaker and dislocated worker groups. These people make up a tiny percentage of the total aid recipients yet they have been incorporated into a national system, much to the detriment of everybody involved, in some cases including the students who were supposed to be helped. One major change we would endorse is eliminating home equity as part of the need analysis formula. This change will help middle income families qualify for loans and, if CWSP funds are increased, for jobs. And finally, we need only one need analysis system. There should not be one for the Pell Program and one for all other programs.

Independent Student Definition

From our standpoint, the current definition is working reasonably well but we would suggest that more student aid officer discretion be allowed in cases in which the student aid officer can provide clear documentation that the student is independent. One part of the definition that does need "fixing" is to

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draft a technical amendment tying independent status only to the two years prior to the award year. Currently, such status depends on a two-year period prior to the first receipt of aid by the student -- a process that is unnecessary, confusing and cumbersome.

Aid Packaging

As in need analysis, we do not need "standardized aid packaging policies." The student aid officer has to deal with so many different sources of aid for students from so many different kinds of situations that any "standardized" rules generally will work to the detriment of the student rather than being of help. Tying SEOG grant eligibility to Pell Grants is an example of this problem. General guidelines can be established by the Department as to how federal funds are to be used, but flexibility to respond effectively to the needs of the individual student should be the overriding goal of any of these guidelines.

Pell Grants

We have spoken about our feelings on SEOG and the Pell Grant earlier. In addition to giving Pell to the schools we believe the aid officer should permanently be given the option of "professional judgment" in dealing with the results of the Pell centralized need analysis in order to respond to the unique needs of individual students.

In addition, we would suggest that, at the school's option, the maximum Pell Grant for freshmen and sophomores be increased, and that the students who have completed the sophomore year have a lower maximum. Juniors and seniors in all likelihood will complete their degree and pay off any debt they may have with no problem. We believe that more focus should be placed on the freshmen and sophomores receiving support from the Pell Grant Program.

Student Loan Restructuring/SLS, PLUS and ICL Programs

We have made suggestions earlier for some reforms to the Stafford Loan Program. We think use of SLS loans at vocational and proprietary schools needs to be reviewed or eliminated entirely and replaced with a different student support structure as suggested in other parts of our testimony. Further, we see no place or need for an ICL Program, particularly if a program such as Congressman Petri's "IDEA" loan program is enacted.

Public Service Incentives

Eligibility for federal student aid should not be dependent on prior or future public service. Why should students from upper income families not have this same requirement if it is really sound national policy? Student aid and public service should not be tied together except on a voluntary basis or as an incentive to encourage community service by all students.

Trio Programs

Finally we want to make clear our wholehearted support for the Trio Programs. We are not expert in this area, but we believe that the direction coming from Arnold Mitchum and his organization, the National Council for Educational Opportunity Programs (NCEOA), will provide all the expertise that is needed and we urge the Congress to listen to their suggestions.

In summary, we wish to emphasize the following points:

1. Students

   All changes should be made keeping the student's need as the primary focus. To this end, we believe as much control as possible should be delegated to the campus student aid officer. Students can deal with this person and not be forced to accept some rules coming from Washington that simply don't fit.

2. Integrity

   We must restore integrity to the aid programs. This should be done by focusing on institutions that are not handling programs well and thereby hurting students. Schools must have some responsibility, and if they can't handle it, they should not be in the programs. Taxpayers and students deserve no less.

3. Simplicity

   The need analysis and delivery systems need to be simplified. The current process must be reviewed to ensure as much simplicity as possible so more students will use it. However, it must not be made so simple that tax dollars are spent unwisely, or that low income students are hurt, or that the integrity of the programs is undermined because of procedures that are too simplistic.

4. Grant/Loan Imbalance

   As has been stated by many others, we need to address the grant/loan imbalance problem. We may not be able to do this in the short run, but it must be a primary concern for the next five years. New sources of funding must be found. This can be done in several different ways, such as shifting money from other areas, e.g. the Defense Department, using money saved by restructuring present programs e.g. cost savings derived by shifting from a Stafford Loan Program to an "IDEA" type of program, and finally, just creatively seeking new sources of funding.

5. Helping the Middle Income Family

There must be sensitivity to the growing frustration of the middle income family. This can be done by reviewing the need analysis system and possibly eliminating the home equity asset in the need analysis formula. It can also be done by expanding loan maximums in the various programs and increasing College Work-study funding. Further, we must thoroughly explore loan concepts sech as the "IDEA" program which may be a very real benefit to middle income families. However, as we explore these possibilities we must not dilute the integrity of the programs. These new loan ideas must be thoughtfully conceived and well managed both at the institutional and federal level.

This completes our testimony. We would be happy to try and answer any questions you have. Again, thank you for the opportunity to express our views.

Mr. **Sawyer**. Mr. Douma, Mr. Gunderson certainly picked the right guy to stimulate.

[Laughter.]

Mr. Sather.

Mr. **Sather**. Thank you. And I believe I am probably the only one here prior to land grants.

[Laughter.]

I believe you have, Mr. Chairman, two documents. One is comprehensive, the other one is the abbreviated summary statement, which is the oral report.

Mr. Chairman, members of the subcommittee, let me too add that Wisconsin is fortunate to have three of its Representatives serve on the Postsecondary Subcommittee, and I am confident that your leadership with the 102nd Congress, will produce an improved reauthorization of Title IV so that many students, parents and citizens will be proud.

I thank you for the opportunity to present a perspective from UW-Eau Claire regarding or concerns and recommendations with reauthorization of Title IV.

UW-Eau Claire is a mid-sized public university of about 11,000 students, with about one half of whom receive financial aid totaling $18 million per annum. This perspective, for the most part, would be shared by the 11 similar UW campuses statewide.

Mr. Chairman, we support the current fundamental concept of a triad of federally funded programs to include grants, loans and work assistance.

Grant assistance for the most needy, to be awarded on the strict basis of family contribution. This includes Pell, SEOG and SIG grants.

Stafford loans and College Work Study should be available to needy students but also to middle income students, by one of two methods. (1) Consider permitting eligibility if the family income is less than $50,000 or (2) simply reduce the family contribution for College Work Study and Stafford loans to one half of that used by grants. An example, if the family contribution were $2,000 for a grant, it would only be $1,000 for a Stafford loan and College Work Study. Therefore, a new computation system is not created, but merely a division at the very end bottom line, would help middle income students more in that respect.

Conceptually, a triad of Federal funding for postsecondary education has in varying forms existed since 1965. This has been and is very good public policy that has for the most part provided access to postsecondary education to students who, without such funds, would not have had that opportunity.

Mr. Chairman, from a technical point of view, the application process; the delivery and disbursement; public perception of fairness; grant and loan imbalance; middle income family concerns; and overall complexities, the current law as authorized together with accompanying regulations is in disrepair, it is broken and needs major reconstruction.

Please permit me to address these concerns, recommendations and provide anecdotal comment.

Mr. Chairman, to simplify the system, we recommend:

That the current four different needs analysis calculations that can take place in the Congressional Methodology formula, which is Pell, simple and regular and Congressional, be reduced to just one for all Federal aid. So please, only one formula that can be explained and understood by parents, students and their Congressmen.

[Laughter.]

Mr. **Sawyer**. Well now wait a minute.

Mr. **Sather**. But adopting one formula, Mr. Chairman, is not good enough. The current formula and how it treats dependent students is patently unfair. As you recall, for the dependent student, 70 percent of the base year income, 35 percent of the savings from that very income, becomes the student's contribution. In a worst case scenario, this could equal 105 percent contribution. It is unfair, unrealistic for these dependent students.

Mr. Chairman, I would like to share with you some specific real student cases to illustrate this. Student from Osseo, Wisconsin, Third Congressional District, last week. Single parent family, mother's income, $13,000. The student just graduated from high school. In her senior year of high school, she worked three separate jobs so she could go to college. She earned $6,750, very ambitious. The student also saved $1,000 which would equal—by the way, the contribution from those earnings was by Congressional Methodology, $4,725 for the student. She was able to save $1,000 and add that to the contribution for $5,000. Her mother's contribution was zero. But she lived with her mother in a rather impoverished situation and contributed to the cost of that household during that time. The best we could award her at UW-Eau Claire was a $1,500 Stafford loan. And for reasons I will cite later, we could not even give her an SEOG grant. This seems to be patently unfair and I think everybody will agree. She was not able to enroll.

Next case is a dependent student, single parent family again. Mother's income was $15,000. The mother had financial reversals, the student quit school one semester, was out one semester, worked that semester plus summer. As a matter of fact, he was carting concrete. He earned $8,500 and saved $2,000 of that. But because he earned $8,500 the period of time he was out, when he wanted to return back to school, the contribution from that earning was $5,950, $700 was added to that from the $2,000 he saved—bingo, no financial aid, $6,650. He could not return back to school.

Mr. Chairman, we recommend that the formula to calculate the family contribution for a dependent student be added to the sum of both the parents and the student's income versus the current system of individual calculation for the parents and the student. That would then cure this skewing effect that I have been talking about. I have addressed this on page 4, c.1 of my more comprehensive written statement. This would prevent the unreasonable contribution from students from low income families who work to support that family.

These type of cases could go on and on.

The student aid application should also be simplified.

We recommend that the NASFAA model, which is appended to the comprehensive document, or something similar, to be adopted as the financial aid application for students applying for financial aid. I say this because the current application is too confusing to parents and students and their counselors. At UW-Eau Claire—and we like to think we are part of Lake Wobegon phenomena, everybody is above average—of the 7000 students who applied for financial aid, about 5000 student aid applications are added as resubmissions of the original financial aid application because of either omission or errors that were committed in the original application. And some are submitted as many as five times to the central processor and going through that whole process, which I am not going to get into at this time.

I estimate that this needless duplication of effort to reprocess and correct student aid applications costs about an added $100,000 to the taxpayers just at UW-Eau Claire campus. It is urged that you adopt the NASFAA model or something close to it, as so appended.

Please, Mr. Chairman, note that the NASFAA model, Exhibit A, item 10, has questions regarding whether the family receives public assistance; if so, other financial aid questions need not be answered. This now becomes an express application for those who are most needy, who are all too often entrapped by the confusion of the current form that has five pages of instruction and 150 data elements to be completed.

One thing more, Mr. Chairman, the media has given a great deal of attention to students who do not repay their loans. Not true in Wisconsin, Mr. Chairman. Over 95 percent of the students are current in their repayments, which means that only 5 percent are in default. A great deal of that could be attributed to the Great Lakes Higher Education Corporation. At UW-Eau Claire, our default rate is 3 percent—a little less than 3 percent for Perkins loans and less than 4 percent for Stafford loans. However, as we continue to award more and more loans to higher risk students, you are to expect the default rate to increase—and it will. As you know, during the mid-1970's, about 70 percent of the aid awarded to needy students was in grant assistance and 30 percent in loans. Since then, that has reversed. That has been stated many times.

Representative Petri is to be congratulated for bringing forth the IDEA loan program. I believe it would be an excellent test model for loans to students who do not qualify for need-based loans. It is an IDEA whose time has come.

As a footnote to loans, let me add, the double disbursement, as my colleague said, of Stafford loans for short term periods of enrollment makes no sense, to impose such rules on responsible schools, it is unfair. We have periods of enrollment which are 4 weeks with disbursements as low as $75. It costs us more money to disburse the money than the value going to the student when everything is added up. Such requirements should be eliminated for schools with default rates of less than one half of the national average, or some other fraction that would be appropriate.

Permit me to address one other concern of the middle income student, if you will.

I receive numerous phone calls from parents in the income category from $30,000 to $40,000 that are canceling their registration because they simply do not have the money to meet an expected family contribution.

I had a call just yesterday from Congressman Petri's district, and this probably is typical. The parents' income was $32,000, family of three, home equity of $25,000. The parents were making these type of payments: mortgage, $320 on the house; auto, $130 and consumer indebtedness of $250. Take home pay, $1,900. If you subtract those obligations, there would be a $1,200 discretion at the end. The Congressional Methodology suggests that the family contribution would be $4,900. That would take about another $400 a month from that family, which would suggest that that family could live on $800 a month. I do not think you could find an economist in the State of Wisconsin who would suggest that that is realistic.

Mr. Chairman, for the financial plight of the middle income student, I recommend that:

(1) Stafford loans be made available to families with incomes of up to $50,000 or that the family contribution be calculated at one half the current amount for grant assistance, as I suggested.

(2) That students be eligible to replace the family contributions up to the educational costs for an IDEA-Petri loan.

(3) That equity on the principal home or farm be eliminated.

(4) That Pell grants be restored to the original equivalence in constant dollars to 1979, which would be approximately a $200 Pell grant at the upper end of the $35,000 income.

(5) Permit the financial aid counselor to calculate the need of the unemployed—recently unemployed—by using an academic year income. I can expand on that later.

(6) Expand the discretionary judgment for financial aid officers.

Mr. Chairman, one of the last areas of concern is the non-traditional student. University of Wisconsin at Eau Claire has 20 percent of its entire enrollment, non-traditional; 13 percent undergraduate and the remainder graduate.

If it is the intent of Congress to provide access to those students, the Department of Education's ruling 2 months ago was antithetical to this intent. The Department has ruled that students returning for a second degree are no longer eligible for either College Work Study funds or Perkins loans. They have been totally disenfranchised. That decision wiped out at least five non-traditional students who intended to enroll at UW-Eau Claire in that 1 week period.

Also, we feel that the child care allotment, for Pell grant purposes, should be increased from $1,000 to $1,700. This is to be calculated about the average cost at UW-Eau Claire of $2.50 an hour for child care for 20 hours a week for 36 weeks.

Third, we support the funding of less than half-time students and further support the concept of loan deferment for non-traditional students, either making academic progress or on a formal contractual academic leave.

The greatest obstacle to non-traditional students are lack of flexibility to provide financial aid in these many unique cases. And by the way, we almost disqualify SEOG for that now.

(2) No aid for less than half-time students.

(3) In ability to permit on-campus employment to meet the AFDC standards that a student must work if they are on ADC, 20 hours a week, but they cannot work on campus. For some reason, this has been excluded by some offices.

(4) The inability to fund returning second degree students with College Work Study program funds and the Perkins loan program.

Mr. Chairman, Representatives, your challenge to reconstruct Title IV is formidable. Hopefully these comments will help you and the subcommittee reauthorize Title IV before the 102nd Congress adjourns. Students and parents and all of your constituents deserve something that exists.

Thank you and I again also remain available for questions.

[The prepared statement of Robert D. Sather follows:]

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Director of Financial Aid
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For
The Subcommittee on Postsecondary Education
Field Hearing in Madison, WI, July 19, 1991
Congressional Subcommittee Members
Representative Scott Klug, District #2
Representative Steven Gunderson, District #3
Representative, Thomas Petri, District #6

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And

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Mr. Chairman, We support the current fundamental concept of a Triad of federally funded programs to include grants, loans, and work assistance.

1. Grant Assistance for the most needy - to be awarded on the basis of Family Contribution. (This includes Pell, SEOG and SIG Grants).

But:

2. Stafford Loans and College Workstudy should be made available to the needy but also to middle income students by one of two methods:

   a) Permitting eligibility if the family income is less than

$50,000.

or

b) Simply reducing the FC for CWS and Stafford Loans to one-half that used for grants.

i.e. if the FC were 2000 for a grant it would be only 1000 for CWS and Stafford.

Conceptionally, a triad of federal funding for post secondary education has in varying forms existed since 1965. This has been and is good public policy that has for the most part provide access to post secondary education to students who without such funds would not have had that opportunity.

Mr. Chairman, From a technical point of view regarding

1. The application process
2. The delivery/disbursement
3. Public perception of fairness
4. Grant and loan imbalance
5. Middle income families concerns
6. Overall complexities

The current law as authorized together with accompanying regulations is in disrepair, broken and needs major reconstruction.

Please permit me to address these concerns, recommendations and provide anodotial comments.

Mr. Chairman, To simplify the system we recommend:

1. That the current four different needs analysis calculation formula, (Congressional, Pell, simple, and regular), be reduced to just one formula for all federal aid. So, please only one formula that can be explained and understood by student, parents and their congressmen.

But adopting one formula is not good enough. The current formula and how it treats dependent students is unfair. As you recall for the dependent student 70% of the base year income plus 35% of the savings from that income becomes the student contribution. This could equal a 105% contribution. It is unfair, and unrealistic for the dependent student.

Mr. Chairman, I wish to share with you some specific real student cases to illustrate this. Student from Osseo, single parent family, Mother's income was $13,000. The student (high school senior worked three jobs, earned $6750, student's contribution - $4,725. Plus she saved $1,000 to equal a contribution of over $5,000. Her mother's contribution was 0. The only aid she is eligible to receive is a Stafford Loan for $1,500.

Not to enroll - no access

Case 2. Dependent student, single parent family, Mother's income was $15,000. The mother had financial reversals, student quit school, obtained full time job, earned $8,500 and saved $2,000.

Contribution from earnings	=	$5,950
.35 x 2000	=	700
Total FC		$6,650

Not to enroll - no access

Mr. Chairman, We recommend that the formula to calculate the Family Contribution for a dependent be the added sum of both the parents and the students versus the current system of individual calculations for the parents and the students. I address this on page 4-C-1 of by written statement. This would prevent an unreasonable contribution from students from low income families who work to support that family.

These types of cases go on and on.

2. The student aid application should also be simplified.

Mr. Chairman, we recommend that NASFAA model or something similar to it be adopted as the financial aid application for students applying for financial aid. I say this because the current application is too confusing to parents and students and their counselors.

1. At UW-Eau Claire, of the some 7,700 student aid applications received, about 5000 are added resubmissions of the original financial aid application because of omission or errors, some are resubmitted over five separate times to the central processor.

2. I estimate that this needless duplication of effort to reprocess corrected student aid applications costs about an added $100,000 to tax payers just for the Eau Claire campus. It is urged that you adopt the NASFAA model application as appended.

Mr. Chairman, please note that the NASFAA model, Exhibit A, item # 10 has questions regarding whether the family receives public assistance, if so no other financial questions need be answered.

This now becomes an express application for those most needy who are all too often entrapped by the confusion of the current form that has five pages of instruction and 150 data elements to be completed.

Mr. Chairman, much media attention is given to, "students who do not repay their loans."

Not true in Wisconsin, Mr. Chairman. - Over 95% of the students are current in their loan repayments or less than 5% are in default. At UW-Eau Claire the default rate is less than 3% for Perkins Loans and less than 4% for Stafford Loans.

However, as we continue to award more and more loans to higher risk students you are to expect the default rate to increase, and it will. As you know during the mid seventies, about 70% of the aid awarded to needy students was in grant assistance and 30% in loan assistance. Since then, that has reversed.

Representative Petri is to be congratulated for bringing forth the IDEA Loan Program. I believe it would be an excellent test model for loans to students who do not qualify for a need based loan. It is an IDEA whose time has come.

As a footnote to loans let me add:

Double disbursement of Stafford Loans for short periods of enrollment makes no common sense to impose such rules on responsible schools is unfair. i.e. $150 loans, $75 each disbursement. Such requirements should be eliminated for schools

with default rates of less than 1/2 the national average.

Mr. Chairman, permit me to address concerns of the middle income.

I have received numerous phone calls from parents in the income category from $30,000 to $45,000 that are cancelling their registration because they simply do not have the money to meet the expected family contribution.

A call yesterday from Congressman Petri's district:

Parents income $32,000 - family of three - home equity $25,000

Parents house payments	$320
auto	130
Consumer debt	250

FC = $4900 Take home pay $1900 - 700 = 1200 discretionary about
SC = 1200 $400 for monthly FC
Need 1700 $800 all other expenses

Mr. Chairman, for the financial plight of the middle income student, I recommend that:

1. Stafford Loans be made available to families with incomes of up to $50,000 or that the FC be calculated at 1/2 the current amount for Grant Assistance.
2. That students be eligible to replace the family contribution up to the educational costs with an IDEA Loan.
3. That equity on the principle home or farm be eliminated.
4. That Pell grants be restored to their equivalence in constant dollars to that of 1979. ($35,000 income to receive $200 Pell grant).

5. Permit the aid officer to calculate the need of the unemployed by using an academic year income.
6. Expand the discretionary judgement for Financial Aid Officers.

Mr. Chairman, one last area of concern is the non-traditional (students at UW-EC 20% are non-traditional, 13% undergrad, the remainder Grad).

1. If it is the intent of congress to provide access to those students, the Department of Education's ruling two months ago was antithetical to this intent. The Department has ruled that students returning for a second degree are not eligible for either CWS or Perkins Loans (total disenfranchised). That decision wiped out at least five non-traditional students who intended to attend UW-EC in a one week period.
2. Also we feel that the child care cost allotment, for Pell purposes, be increased from $1000 to $1700. This is about the average cost in the Eau Claire area, about $2.50 per hour for 20 hours per week for 36 weeks.
3. We support the funding of less than halftime students and further support the concept of loan deferment for non-traditional students either making academic progress or on a formal contractual academic leave.
4. The greatest obstacles to non-traditional students are:
    1. Lack of flexibility to provide Financial Aid - many unique cases.
    2. No aid for less than halftime students. ~~should be permitted~~.

3. Inability to permit on-campus employment to meet AFDC's work requirement (20 hours per week).
4. Inability to fund returning second degree students with CWS and Perkins Loans.

In conclusion,

Mr. Chairman, Representatives, your challenge to reconstruct Title IV is formidable. Hopefully these comments will help you and the full subcommittee reauthorize Title IV before the 102 congress adjourns. Students and parents and all of your constituents deserve something better than exists.

Thank you and I remain available for questions.

RS2

COMMENTS CONCERNING REAUTHORIZATION OF TITLE IV

General Provisions - Principle Goals

1. To promote easy access to higher education for the nation's neediest students, we suggest that a student or a student's family who are receiving public assistance use a streamlined and simplified financial aid application process. This could be accomplished by permitting public assistance recipients to so indicate by checking the appropriate question on the financial aid form, and they would then be exempt from responding to financial aid questions. After the school verified the public assistance, it would assume that the parents could not provide post-secondary financial assistance.

2. To reduce the risk of student defaults and minimize student's dependence on student loans, we suggest expanding financial aid administrator "professional judgement" to be able to limit or deny a student loan.

3. To permit greater flexibility in meeting student financial need, we suggest increasing the funding for and deregulation of the "campus based" programs.

4. To reduce the paper work burden on students applying for financial aid while saving the federal government money, we recommend the decentralization of the "central processor" function whereby institutions, using government approved systems, would be able to calculate financial need eligibility and make awards at the campus for all Title IV financial aid and then transmit data to a nationally established financial aid data base through which all data matches would be performed. However, the central processor service would be available for schools lacking such capabilities.

5. To simplify the student aid application process, we suggest using a form similar to the model developed by the National Association of Student Financial Aid Administrator's (NASFAA).

General Provisions - Specific Recommendations

1. Issue: Continuation of existing Title IV grant programs (Pell, SEOG, CWS, Perkins, SSIG) (Section 401(a))

2. Issue: Master calendar (Section 482(c))

   Recommendation: Delete from first sentence in (c) "additional" and "the general administration of" so that it reads "Any regulatory changes initiated by the Secretary affecting the programs pursuant to this title that have not been published in final form by December 1 prior to the start of the award year shall not become effective until the beginning of the second award year after the December 1 date."

   Rationale: The purpose of this recommendation is to clarify the Secretary's authority to the establish effective date of regulations.

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3. Issue: Fee for processing (Section 483(3)(1))

Recommendation: There should be an exemption of a fee charge from parents and students for processing an application for any title IV funds in whole or in part.

Rationale: A fee charge may limit access to the neediest students and inhibit the school's goal of diversity.

4. Issue: Notice of Student Aid Receipt (Section 483(f))

Recommendation: We recognize Congressional desire to have constituent acknowledgment of federal funding sources and believe that this would be accomplished by the addition of the word "federal" in each of the Title IV program names, with the exception of the SSIG Program.

5. Issue: Student consumer information (Section 485)

Recommendation: Prohibit the Secretary from regulating how institutions shall deliver information to students and prospective students.

6. Issue: National Student Loan Data Base (Section 485B)

Recommendation: Specify authorization level and funding source through the following language: "The Secretary will provide no less that $5 million from its annual budget each fiscal year to this function, not including the cost of USDE personnel to manage these resources. These funds shall not be taken from regular student aid program appropriations."

Rationale: We believe that the cost of defaults rose so rapidly in the Stafford Loan Program due in large measure to the lack of administrative monies in the Department of Education for oversight activities and the lack of training funds to improve the professional knowledge and experience of, among others, financial aid administrators. To remedy this situation we recommend reserving up to $25 million dollars for use by the Department to improve its administration of the loan programs. Allowable activities would include program reviews, audits, debt management programs, and training activities. An additional $5 million would be reserved to automatically fund Section 486 to provide necessary funds for training activities aimed at improving the knowledge and professional abilities of financial aid administrators among other allowable training projects.

7. Issue: Agreements with institutions (Section 488)

Recommendation: Permit institutions to transfer up to 25 percent of the federal portion of new annual allocations between the SEOG, CWS, and/or Perkins Loan programs.

Rationale: It is recommended that the inter-program authority allow financial aid administrators the necessary discretion to shift funds among the SEOG, CWS, and Perkins Loan programs to more closely meet institutional and student needs in a particular year. Such a change in the current law's authority would be an indispensable management tool.

8. Issue: Overawards

Recommendation: "All Title IV aid be tied to a uniform "overaward" tolerance of $300. This provision should be written into the General Provision's Section of the Act."

9. Issue: Accreditation/certification standards for schools

Recommendation: Increase accreditation/certification standards for all schools and strengthen audits of their programs to insure they are meeting student needs while maintaining the standards and mission of the institution. (Section 481).

Congressional Methodology and Needs Analysis - Principle Goals

1. To remedy the current inequity of dependent students, we suggest the reevaluation of that part of the Congressional Methodology formula that deals with determining the contribution from dependent student earnings and savings.

2. To make the student financial aid application easier to complete and need determination more efficient, we suggest adopting a single needs analysis system and eliminating the "simple", "dislocated worker" and "displaced homemaker" analysis types.

Congressional Methodology and Needs Analysis - Specific Recommendations

1. Issue: Coordinate student aid and unemployment policies (Section 479B)

Recommendation: Unemployment benefits should continue while the recipient is enrolled in post-secondary education.

Rationale: It is a concern that there needs to be better coordination between student financial assistance and unemployment compensation policies. It is recommended that the law be changed so that those on unemployment do not lose benefits should they decide to upgrade their academic or work skills by attendance at a post-secondary institution during the time they are receiving such unemployment benefits. Change in this provision will encourage, not prevent, those who are unemployed to further their education.

2. Issue: Changes in Congressional Methodology

Recommendation: Adopt only one needs analysis calculation formula, PELL or Congressional.

a. Eliminate the "simplified needs test." (Section 479)

b. Remove dislocated worker and displaced homemaker calculations from the formula. (Sections 475(d)(B), 480(e), 477(c)(2)(B), 476(c)(2)(B), 475(h)(2))

c. Change formula for calculating dependent students' contribution by either: (Section 475(g)(1)(C))

   1. Do away with the SC calculation altogether, and fold student's earnings and assets into their parent(s) resources and then calculate one Total Family Contribution. This concept is preferred. OR

   2. Calculate a negative Parent's Contribution and use it to offset any positive Student's Contribution from earnings OR

   3. Disregard student earnings when parent income less than, say $15,000 OR

   4. Permit the use of estimated year income for first year dependant and independent students for all title IV aid.

d. Pro rate the student contribution for dependent students and independant without dependents for any appropriate period of enrollment. (Section 476(b)(1)(C))

e. Provide the "Special Condition" option for dependent students. (Section 479(A))

f. Treat all Veterans Benefits uniformly, preferably as income. (Section 480(c)(2))

3. **Issue:** Single/Simple Aid Application Form.

Recommendation: We support the use of NASFAA's new application form as outlined in the May 22, 1990 NASFAA newsletter, except to add a box to indicate an initial application as a Special Condition. This would allow the aid officer to report estimated year income in areas where base year income would normally be entered. Also, add all student certification statements on this form to meet all the miscellaneous congressional requirements for a student to obtain federal aid (e.g. drug certification, default statement, etc.). (Section 480(d) & 483(a))

Program Reform - Principle Goal

To insure students will be receiving a good educational experience for their investment, we suggest that eligibility, participation and accreditation standards be developed for different types of schools, and then, target specific regulatory requirements to schools that need them.

Program Reform - Specific Recommendations

1. Issue: Continuation of program (Section 452)

   Recommendation: Terminate the current demonstration project.

   Rationale: Schools currently participating should have the option of transferring these loans into their Perkins account. Revolving fund payments could be applied to institution's Perkins account or to the federal government for redistribution.

2. Issue: Consideration of Byrd Scholarship in determining other Title IV aid amounts (Section 419(J))

   Recommendation: "Eliminate the Byrd Scholarship Program." By in large we feel that it is not cost-effective to administer.

Pell Grants - Principle Goals

1. To insure long term student access to higher education and guarantee a stable, inflation-adjusted grant program for the most economically disadvantaged students, we suggest that the Pell Grant become a fully funded entitlement program.

2. To reduce the dependence on loans and improve access for our most economically disadvantaged students, we strongly support increasing Pell Grant student awards to an equivalent level of student awards maintained during the 1970's.

Pell Grants - Specific Recommendations

1. Issue: Pell Grant maximum (Section 411(b)(2)(A))

   Recommendation: The Pell Grant maximum award should be $3,300 for academic year 1992-1993, with annual adjusted increases of at least $200 but not less than the Consumer Price Index.

2. Issue: Pell Grant as an entitlement

   Recommendation: The Pell Grant Program should be an entitlement for the neediest students.

   Rationale: We believe this can be accomplished by fully funding the maximum award specified above. This change, coupled with the recommendation regarding insufficient appropriations, (See Recommendation #8) will effectively target Pell Grant monies to the correct eligible pool of applicants. These changes would have the effect of eliminating lower-need students with smaller awards while guaranteeing a consistent, inflation-adjusted award to the neediest students, regardless of funding constraints.

3. Issue: Period of eligibility for grants (Section 411(c))

   Recommendation: Strike all time limitations for receipt of Pell Grant funding.

   Rationale: We believe that the satisfactory academic progress provisions included in Section 484(c) provide adequate safeguards to address this issue.

4. Issue: Duties of contractors, including central processor (Section 411(f))

   Recommendation: "Eliminate the mandatory use of the central processor to calculate Congressional Methodology by vesting C.M. calculation authority at the institutional level for schools that can be certified with such capabilities. Also, eliminate the Student Aid Report (SAR) or give schools the authority to make the document an option at their school." However, a central processing system must be maintained for colleges lacking these capabilities.

Campus Based - Principle Goal

To permit greater flexibility in meeting student financial need, we suggest increasing the funding for and deregulation of the "campus based" programs.

Campus Based - Specific Recommendations

1. Issue: Authorization for "Campus-based" Aid programs.

   Recommendation: Increase authorization levels for all programs.

   Rationale: The level of need exceeds funding.

2. Issue: Priority for SEOG awards (Section 413C(c)(2))

   Recommendation: Eliminate the preference that SEOG recipients also be Pell Grant recipients but continue to direct SEOG more heavily toward students with the greatest need (Cost minus Expected Family Contribution (EFC)).

   Rationale: This flexibility would allow financial aid administrators to target funds to the neediest students. We believe that schools should be encouraged to adopt packaging philosophies that give priority for SEOG to freshmen and sophomores.

3. Issue: Priority for Perkins Loan awards (Section 463(a)(9))

   Recommendation: Repeal the provision requiring that Perkins Loan funds should go first to students with exceptional need.

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Rationale: Since institutions already award Perkins Loan Program funds to students with need, such targeting requirements are superfluous, and in some cases do not allow for flexibility in packaging aid to neediest students.

4. Issue: Earnings overaward provision (Section 443(b)(4))

   Recommendation: Increase from $200 to $300 the earnings overaward tolerance.

   Rationale: We believe that additional flexibility should be given to both students and employers. We also recommend that a $500 tolerance would be extended to the Stafford, Perkins and SLS Programs so that there would be the same flexibility as in the CWS program.

5. Issue: Perkins loan limits (Section 464(a)(2))

   Recommendation: Increase annual Perkins loan maximum to $3,000 for all undergraduates with an undergraduate aggregate maximum of $15,000. Increase annual graduate maximum to $5,000, with a graduate aggregate maximum of $30,000. The total Perkins loan aggregate maximum would be $60,000.

   Rationale: This recommendation is in conjunction with modifications to the Stafford and SLS program maximums.

6. Issue: Cancellation of loans (Section 465)

   Recommendation: Reexamine cancellation provisions.

   Rationale: Reexamine the Perkins cancellation provisions to ensure that desired social results are obtained and borrowers' decisions are influenced early in their academic careers. If this is not the case under current law, seek solutions that are less complex to administer and understand while encouraging socially useful behavior.

7. Issue: Cancellation of loans for teaching in a Chapter 1 school (Section 465(a)(2)(A))

   Recommendation: For a person whose loan is eligible for cancellation because he or she teaches in a Chapter 1 school, grandfather that individual's eligibility for cancellation for one year after such a school loses its Chapter 1 designation.

   Rationale: We recommend that Perkins Loan borrowers who have chosen to teach in designated teaching areas, in part, to take advantage of the program's loan cancellation feature should not automatically lose this advantage because his or her eligible school becomes ineligible.

Part B Loans - Principle Goals

1. To insure that all students have equal access and a choice, we must preserve lender participation in our student loan programs by maintaining special allowance subsidies and the re-insurance of loans, especially those held by potentially insolvent guaranty agencies.

2. To insure student retention and minimize student financial distress at the beginning of their studies, we recommend that all student loans be exempt from the double disbursement provision for short programs of study or for schools that have a default rate of less that one-half the national average.

Part B Loans - Specific Recommendations

1. Issue: Consolidation of loan programs (Section 421)

   Recommendation: The Title IV loan programs should not be consolidated.

   Rationale: We believe that the individual programs must be maintained to fulfill the very different purposes of these programs. The Perkins Loan Program should be preserved as a separate source of funds for needy students, primarily due to the special features of that program, such as, lower interest rates, ease of application, and the ability of the financial aid administrator to be responsive to special student needs. The Stafford, SLS, and PLUS programs are all designed to meet the needs of a specific portion of the higher education population.

2. Issue: Guaranty agency failure to insure loans (Section 423)

   Recommendation: In the event of guaranty agency failure, there should be a set of actions established in the Higher Education Act to protect the integrity of the loan system.

   Rationale: We are very concerned about avoiding disruptions of the program caused by guaranty agency insolvency and suggest a study by the General Accounting Office to determine the mechanisms and timelines for dealing with such insolvency. Until additional information is available, we recommend that, in the event of a guaranty agency failure, the Department would manage both the reserves of the agency and the reinsurance function. In addition, agencies with default rates above 9 percent (at the 80 percent reinsurance trigger) would be required to file a default management plan to permit the Department to review potential agency insolvency.

3. Issue: Financial aid administrator authority to reduce or eliminate eligibility for Part B loans (Section 428(a)(2)(D))

   Recommendation: Provide financial aid administrators with the authority to reduce or eliminate a student's eligibility for Part B loans based on equitably applied professional judgment.

Rationale: We believe that the financial aid administrator should be given the authority to reduce or eliminate a student from participation in the Part B loan programs based upon equitable applied professional judgment. The financial aid administrator currently has similar authority in the Perkins Loan Program and it has been proven effective in reducing student loan debt and managing default. In addition, if institutions are to be responsible for their default rates, we believe that this provision will provide them with a tool to actively manage student loan indebtedness and aid packaging policies. In conjunction with this proposal, we agreed that there should be a differential special allowance payment made to lenders for making small balance loans only on small cumulative balances when the borrower goes into repayment. (See Recommendation #43.)

4. Issue: Consolidation of loans for married students (Section 428C(a)(3))

Recommendation: Allow married students to consolidate their loans.

Rationale: It is felt that making this option available to married students in repayment--especially those with large outstanding balances--will allow such students to more easily make their loan payments.

5. Issue: Loan disbursement (Section 428G)

Recommendation: Permit single disbursements for loan periods of 90 days or less to schools that have a default rate of less than one-half of the national average.

Rationale: This provision would simplify the administration of the Stafford Loan Program.

6. Issue: Disbursement of SLS Loans (Section 428G(b)(I))

Recommendation: Require delayed disbursement of SLS loans only for institutions with default rates of 20 percent or greater.

Rationale: This waiver provision would not be available if the institution has a default rate in excess of 20 percent.

7. Issue: Disbursement of PLUS loans (Section 428G(e))

Recommendation: Require multiple disbursement of PLUS loans.

Rationale: In conjunction with the recommended increase in PLUS loan limits we believe that it is important to also require multiple disbursements of these loans so as to insure that such proceeds are only going to fund students who are enrolled and making progress toward their degree.

8. Issue: Overawards (Section 428G(g)(2)(d))

Recommendation: Permit a $300 tolerance for Stafford/Perkins/SLS overawards.

Rationale: In keeping with the recommended overaward provision in the College Work-Study Program, we recommend extension of this necessary management tool to the Stafford, Perkins, and SLS programs.

9. Issue: Definition of cohort default rate (Section 435(m))

Recommendation: Should add a number 6 to read: "Calculate a school's default rate based on dollars in default, not the number of students in default."

10. Issue: PLUS/SLS Eligibility

Recommendation: First time applicants for PLUS/SLS loans should be required to apply for need based Title IV aid prior to certification of the loan. (Section 428A(b)(3) and 428B(b)(3))

11. Issue: Delayed Disbursement

Recommendation: Eliminate or modify the 30 day delayed disbursement requirement for first year first time Stafford recipients that is currently in force at all schools. This requirement should be tied to a schools default rate. All institutions should not be penalized by imposing restrictive and costly regulations on all schools for problems affecting or caused by a few. (Section 428G(b)(1))

RDS4/bjt

Mr. **Sawyer**. Thank you very much, Mr. Sather.

Ms. Hightower.

Ms. **Hightower**. Thank you.

I would like to thank Chairman Ford and the subcommittee for their interest in postsecondary education. I would also like to thank Mr. Gunderson for this opportunity and the interest he shows towards the unique needs of non-traditional students.

Currently I am a psychology major at Viterbo College in La-Crosse, Wisconsin. I am extremely grateful for my education and I am convinced that it would not have been possible without the Federal loans and grants that I have received.

I entered Viterbo in the hope of someday providing a better life for my daughter. Over the past 4 years, I have realized that my education offers many more opportunities for me than I originally intended. Contributing to my community and making a difference in other people's lives has become just as important to me as financial security. My dreams and goals now reach beyond providing a better life for myself and my daughter.

I am not alone. Viterbo is comprised of nearly 40 percent non-traditional students. Many are parents, valued employees and volunteers in their churches, children's schools and many other community groups. Non-traditional students are resourceful, motivated, high-achieving students. But they also have unique needs. With these thoughts in mind, I would like to focus on some specific legislative options that Mr. Gunderson outlined for me.

Day care costs. The Pell grant formula that allows $1,000 per year for day care is inadequate. The average full time student spends at least 35 hours per week in course-required activities, including class attendance, library research, lab work, lectures and study groups. The average child care provider in LaCrosse charges $1.75 per hour for one child and the rate increases for each additional child. A student can face child care costs of over $900 each semester. Clearly the $1,000 day care allowance for the entire school year is not enough.

Education-related costs versus personal income. I strongly agree that all financial aid should be defined as a contribution to education-related costs rather than being counted as personal income. According to Lynn Meyer, a recent summa cum laude graduate of Viterbo, the negative impact that financial aid had on her AFDC and her food stamps almost forced her to leave school. On several occasions, Lynn was threatened with losing all of her AFDC income and at the beginning of each semester, her food stamps were reduced in half. Ultimately, Lynn had to use money intended for educational purposes to feed herself and her two children living at home.

Financial aid training. Financial aid training for human service professionals who have contact with potential adult learners would be very beneficial. Social workers, counselors, employment specialists, et cetera, consistently advise students, especially single parents, to pursue higher education. But nobody says how it can be accomplished. Potential adult learners need accurate information and support. If helping professionals were training in the variety of financial assistance programs available, then the adult learner could make informed decisions regarding their educational needs. And more single parents would find the courage to reach their goal of self-sufficiency.

Graduate education. The most obvious obstacle that would deter me from a graduate education is the debt I have incurred during my under-graduate studies. Upon graduation, I will have over $15,000 in students and almost $5,000 in personal loans to repay. As a psychology major, it is essential for me to obtain at least a master's degree to move beyond an entry level position in most social service or private counseling agencies.

The second consideration is the loss of income. Entry level positions in La Crosse range from $15,000 to $18,000 per year. After living on less than $6,000 per year for the last 4 years, tripling my income seems attractive. However, the reality is that an $18,000 salary would barely support myself and my daughter, and I fear it will be extremely difficult to repay the loans I have incurred during my under-graduate studies.

The past 4 years have been the most challenging and exciting years of my life. I am a different person today than the frightened, insecure young woman who walked into the Continuing Education office at Viterbo desperately wanting to provide a better life for her child. Today, I am confident, self-assured and full of hope regarding my future and the valuable contributions that I know I can make. I am grateful for the opportunity I have been given to learn and to grow and I appreciate the time that I was given today to share my thoughts and experiences with you.

[The prepared statement of Mahrie Hightower follows:]

Testimony of Mahrie Hightower, Non-Traditional Student of Viterbo College, at a hearing of the House Education and Labor subcommittee on postsecondary education at Madison, WI on July 19, 1991

I would like to thank Chairman Ford and the subcommittee for their interest in postsecondary education. I would also like to thank Mr. Gunderson for the opportunity he has given me to express my personal experience and opinions regarding my education and the impact financial aid has had on my pursuit of an education and the interest he shows toward the unique needs of non-traditional students.

Currently I am a Psychology major at Viterbo College in LaCrosse, Wisconsin and I expect to graduate with honors in May of 1992. I am extremely grateful for my education and I am convinced that it would not have been possible without the federal loans and grants that I have received.

Before I address some specific issues, I would like to give you a glimpse into my life as a non-traditional student and share with you the opportunities and challenges that I have faced. In August of 1986 I divorced. I became a single-parent of a then 5 year old daughter. The wages I earned as a secretary combined with child support provided little financial security and severely limited many opportunities for myself and my daughter. My income level barely covered the necessities of living: food, shelter, clothing, and transportation. The future seemed just as bleak.

Originally the impetus for my entering Viterbo was to provide a better life for my daughter. I wanted her to have a private school education, dance lessons, summer camp...opportunities that many parents hope to offer their children. With a degree, I would be able to provide much more for her than was possible as a minimum wage earner.

Over the last four years at Viterbo I have realized that my education offers many more opportunities for me than I originally intended. I have become a more educated and conscientious parent, consumer, and voter. I have realized the importance of community, state, national, and international issues. Contributing to my community and making a difference in other peoples' lives has become just as important to me as financial security. My dreams and goals reach beyond providing a better life for myself and my daughter.

Dreams and goals are wonderful. They get me through the harsh reality of poverty. I support two people - myself and my daughter - on less than $6,000 per year. I maintain a 15 credit load each semester and consistently appear on the Dean's List. I am employed in the work/study program for the Psychology department at Viterbo. I advocate for abuse survivors on Viterbo campus and at a local hospital;

and I am involved in discussion and educational programs concerning childhood sexual abuse. Most importantly, I am a single-parent of a 10 year old daughter.

I am not alone. Viterbo is comprised of nearly 40% non-traditional students. Many are parents, valued employees, and volunteers in their churches, children's schools, and many other community groups and are determined to complete their education. Non-traditional students are resourceful, motivated, high-achieving students. But they also have unique needs. With these thoughts in mind, I would like to focus on some specific legislative options that Mr. Gunderson outlined.

Day Care Costs

The Pell grant monies that I have received have been used to meet my tuition and book expenses. There has never been enough money leftover to help alleviate child care costs. I have had to match my class schedule with my daughter's school hours. Several semesters I have not been able to take required classes when they are offered, thus prolonging the time I am in school and out of the workforce. On days that my daughter does not have school, I am forced to bring her with me to my classes which for obvious reasons is less than ideal for her or for me. On occasion my daughter has been home alone before or after school because I could not afford child care.

Friends of mine with similar circumstances use other less than ideal sources including: friends, relatives, or in-home day care centers. These options cost less, but the providers are usually not licensed. Students are then disqualified from state programs that require licensed child care workers. The best day care centers in LaCrosse are also the most expensive and simply unaffordable to most nontraditional students.

The Pell Grant formula that allows $1,000 per year for day care cost is inadequate. For example, a full-time non-traditional student with one dependent on average takes a 15 credit semester, spends 5 hours per week commuting to and from classes, and 15 hours per week in required outside the classroom activities such as library research, lab work, lectures, and study groups. This totals 35 hours per week not including individual study time.

The average child care provider in LaCrosse charges $1.75/hour for one child and the rate increases for each additional child. A non-traditional student can face child care costs of over $900 each semester. Clearly the $1,000 day care allowance for the entire school year is inadequate.

Education-Related Costs vs. Personal Income

I strongly agree that all student financial aid should be defined as a contribution to education-related costs rather than being counted as personal income. The greatest impact this would have is for students at Viterbo who receive Aid For Dependent Children (AFDC) and food stamps. According to Lynn Meyer, a summa cum laude graduate of Viterbo this past May, the negative impact that financial aid had on her AFDC and food stamps almost forced her to leave school. Her means of providing shelter and buying food for her children was threatened when she faced losing her AFDC income and her food stamps because her financial aid was counted as income. In addition, Lynn's food stamps were consistently reduced in half at the beginning of each semester due to the financial aid and Lynn ultimately had to use money intended for educational purposes to buy food for herself and her two children living at home.

Financial Aid Training

Financial aid training for human service professionals who have contact with potential adult learners would be very beneficial. I think the greatest obstacle preventing many people from attending college is fear. I cannot emphasize enough how frightening the prospect is of incurring several thousand dollars in debt, having your income substantially reduced, and asking your family to make sacrifices for four or five years. Social workers, counselors, employment specialists, et cetera, consistently advise students, especially single-parents to pursue higher education. But nobody says how it can be accomplished. Potential adult learners need accurate information and support. If helping professionals were trained in the variety of financial assistance programs available, then the adult learner could make informed decisions regarding their educational needs. And more single-parents would find the courage to reach their goal of self-sufficiency.

Graduate Education

The most obvious obstacle that would deter me from a graduate education is the debt I have incurred during my undergraduate studies. By graduation in May of 1992, I will have over $15,000 in student loans and almost $5,000 in personal loans to repay. The thought of incurring even more debt for graduate studies is intimidating even though as a Psychology major it is essential for me to obtain at least a Master's degree to move beyond an entry level position in most social service or private counseling agencies.

The second consideration is the loss of income. Entry level positions in LaCrosse range from $15,000 to $18,000. After living on less than $6,000/year for the past four years tripling my income seems attractive. However, the reality is that an $18,000 salary would barely support myself and my daughter, and I fear it will be extremely difficult, if not impossible, to repay the debt I have incurred during my undergraduate studies.

Closing Comments

The last four years of my life have been the most challenging and exciting years of my life. I am a different person today than the frightened, insecure young woman who walked into the Continuing Education office at Viterbo desperately wanting to provide a better life for her child. Today I am confident, self-assured, and full of hope regarding my future and the valuable contributions that I know I can make. My education inside and outside of the classroom with teachers, advisors, and other students has given me that confidence. I am grateful for the opportunity I have been given to learn and to grow and I appreciate the time that I was given today to share my thoughts and experiences with you.

Mr. **Sawyer**. Let me tell you, if anything, you understate your competence and your assuredness. I just want to compliment you on the quality of your testimony and the clarity of your summary, for all of us.

Ms. **Hightower**. Thank you.

Mr. **Sawyer**. Mr. Gundersen.

Mr. **Gundersen**. I would like to thank Congressman Klug especially for the invitation to speak here, and the subcommittee for hearing me today. My name is Erik Gundersen and I am a third year medical student here at the University of Wisconsin Medical School. I also serve as the National chair-elect of the Organization of Student Representatives of the Association of American Medical Colleges based in Washington.

I am going to speak specifically to the case of medical education, which represents kind of an extreme in postsecondary education, both in terms of length of study and the financial debt placed on students.

Over the past decade, tuition in our Nation's medical schools has risen sharply. To finance our education, medical students must borrow increasingly large sums of money to cover tuition and other educational and living expenses. For many of us, this debt is in addition to outstanding under-graduate loans and/or responsibilities related to having a family. When I first started graduate school at the University of Wisconsin in 1986, I was employed full time and able to attend graduate school on a full time basis. As a result, I was able to finance all of my graduate studies out of my earnings. By contrast, as a medical student, it has proven impossible to work even alternate weekends. As a result, I, as well as most other medical students, are virtually dependent on student loans to finance our medical education.

In 1990, approximately 75 percent of graduating medical students nationwide had used educational loans to finance their schooling. The average debt of a U.S. medical student graduating in 1990 exceeded $46,000. This represents almost a 200 percent increase over the past 10 years. For minority students, debt levels are even higher, averaging well over $50,000 as an average. The comparable figures for University of Wisconsin medical students are somewhat higher than the national norms. In 1990, approximately 88 percent of the UW medical students had outstanding educational loans. The average debt of my graduating colleagues at the UW exceeded $48,000, with the range of $1,000 to over $96,000. When I graduate in 2 years, I expect an amount consistent with the UW average.

High levels of indebtedness by medical students have some undesirable consequences. First off, the prospect of significant indebtedness appears to discourage the pursuit of medical careers. This is particularly true of students from economically disadvantaged backgrounds and minority group members. In a recent study, nearly 35 percent of academically qualified students who were interested in medicine had decided against this career path because of debt they would accrue while completing 4 years of medical education and three to 7 years of post-graduate and residency training.

High levels of debt also appear to affect the career plans of physicians in two ways primarily. First, in specialty choice. If you have a large amount of debt, you tend to think about repaying that and move away from the lower paying primary care specialties and into the higher paying specialty areas. And also in terms of practice location. If you have to pay back your debt, you want to work in an area where you can pay back your loans and receive payment for your services. This tends to put people in the suburbs or in the city and not so much in the high need rural areas and the inner-city.

To encourage students to enter primary care fields, which is definitely a national objective, student debt levels should be kept as low as possible. One way to accomplish this is by providing more grants and scholarships. Grants and scholarships have the considerable potential for improving access to medical education for qualified minority students and those from lower socio-economic backgrounds. In addition, loan limits for graduate and professional borrowers in the Stafford Loan Program should be increased from the current $7,500 per year to $10,000 per year.

Another positive step which would partially relieve the overwhelming financial burden and help encourage students to choose primary care areas would be to lengthen the deferment repayment of Perkins and Stafford loans from a 2 year minimum to 3.

Lengthening the deferment period for the Perkins and Stafford loan programs by at least one additional year would relieve the burden of repayment for physicians choosing primary care specialties. I would especially like to thank Congressman Klug and Gunderson for their support of H.R. 179, Congressman Penny's bill to permit the deferral of payments on student loans during professional residencies and I encourage all of you to support this proposal.

I summary, in reauthorizing the Higher Educational Act, I hope that you will give consideration to the following:

Understanding that medical education generally requires at least 8 years of postsecondary education in addition to a residency program that typically takes 3 to 7 years with an average salary of around $25,000.

Increasing annual Stafford loan limits from $7,500 to $10,000 with enhanced grants and scholarship programs, particularly for qualified minority students and those from lower socio-economic backgrounds.

And third, extending residency deferment periods from 2 years to at least 3 years, the length of a primary care residency training program.

I believe these changes will provide more favorable financing for higher education and in so doing encourage qualified individuals to pursue medical careers, allow for continued low loan default rates by medical students and facilitate the entry into primary care fields by students who would otherwise face financial difficulties associated with the choice of this specialty area.

Thank you again for the opportunity to testify. And I would be very pleased to respond to any questions.

[The prepared statement of Erik Gundersen follows:]

Testimony on the Reauthorization of the
Higher Education Act
House Committee on Education and Labor
July 19, 1991

Erik Gundersen
10 East Gorham Street, Apartment 7
Madison, Wisconsin 53703

I very much appreciate the opportunity to testify regarding the reauthorization of the Higher Education Act. My name is Erik Gundersen, and I am a third year medical student at the University of Wisconsin Medical School. I also serve as national chair-elect of the Organization of Student Representatives of the Association of American Medical Colleges.

Over the past decade, tuition in our nation's medical schools has risen sharply. To finance our education, medical students must borrow increasingly large sums of money to cover tuition, and other educational and living expenses. For many of us, this debt is in addition to outstanding undergraduate loans and/or responsibilities related to having a family. When I first started graduate school at the University of Wisconsin in 1986, I was employed full-time and able to attend graduate school on a full-time basis. As a result, I was able to finance all of my graduate studies out of my earnings. By contrast, as a medical student, it has proven impossible to work even alternate weekends. As a result, I as well as most other medical students are virtually dependent on student loans to our finance medical education.

In 1990, approximately 75% of graduating medical students nationwide had used educational loans to finance their schooling (undergraduate, graduate and/or professional education). The average debt of a U.S. medical student graduating in 1990 exceeded $46,000. This represents almost a 200 percent increase over the past ten years. For minority students, debt levels are even higher, averaging well over $50,000. The comparable figures for University of Wisconsin (UW) medical students are somewhat higher than the national norms. In 1990, approximately 88% of UW medical students had outstanding educational loans. The average debt of my graduating colleagues at the UW exceeded $48,000, with a range of $1,000 to over $96,000. When I graduate in two years, I expect to owe an amount consistent with the UW average.

High levels of indebtedness by medical students have some undesirable consequences. First, the prospect of significant indebtedness appears to discourage pursuit of a medical career. This is particularly true of students from economically disadvantaged backgrounds and minority group members. In a recent study, nearly 35% of academically qualified students who were interested in medicine had decided against this career path because of the debt they would accrue while completing four years of medical education and three to seven years of postgraduate or residency training (Colquitt and Killian, Journal of Academic Medicine, May 1991). This is in addition to educational loans used to finance four years of undergraduate education.

High levels of debt also appear to affect the career plans of physicians. The nation needs more primary care practitioners - family physicians, general internists and general pediatricians. Wisconsin also has a serious shortage of primary care practitioners. Recent data collected by the UW Office of Rural Health indicates that an additional 185 primary care practitioners are needed to sustain a 1 to 2,500 ratio (the threshold defining a medical shortage area under the state's Physician Loan Assistance Program). But high levels of debt may discourage graduating senior medical students from entering these lower paying primary care specialties. In other words, high levels of debt may encourage students to practice in areas where they would be able to earn sufficient income to repay their outstanding debts, thus contributing to the shortage of practitioners in rural and inner city areas.

In order to encourage students to enter primary care fields, student debt levels should be kept as low as possible. One way to accomplish this is by providing more grants and scholarships. Grants and scholarships have considerable potential for improving access to medical education for qualified minority students and those from lower socioeconomic backgrounds. In addition, loan limits for graduate and professional borrowers in the Stafford Loan Program should be increased from the current $7,500 per year to $10,000 per year. This program is preferred by medical students because interest rates are relatively low and students are relieved of the burden of interest while completing their studies. By contrast, loan programs such as the HEAL program have higher interest rates and the interest begins to accrue immediately.

Another positive step which would partially relieve the overwhelming financial burden and help encourage students to choose primary care areas would be to lengthen the deferment of repayment for the Perkins and Stafford loans from two to a minimum of three years. Currently, medical residents must begin repayment on Perkins and Stafford loans after the second year of residency. During their third year of postgraduate medical training, the typical resident is earning $28,000 per year. Repayment of an average debt requires over 30% of the resident's gross pay and as much as 50% of take-home pay. For those students with higher levels of debt, the percentage of take-home pay is even higher. Financial managers consider educational or consumer debt totalling eight percent of gross income "comfortable" for repayment purposes, twelve percent "difficult" and sixteen percent or above "impossible". Residents clearly fall into the worst case scenario. Legislation introduced by Congressman Petri, the Income Dependent Education Assistance (IDEA) Act - HR 2336, seems to address this issue by linking repayment to income.

Lengthening the deferment period for the Perkins and Stafford Loan Programs by at least one additional year would relieve the burden of repayment for physicians choosing primary care specialties. Graduating medical students selecting primary care specialties would then be able to complete their residency programs, which generally take three years, before beginning repayment of their educational loans. I'd like to thank Congressmen Klug and Gunderson for their support of HR 179, Congressman's Penny's bill to permit the deferral of payments on student loans during professional residencies, and I encourage all of you to support this proposal.

In summary, in reauthorizing the Higher Educational Act, I hope that you will give consideration to the following:

1. Understanding that medical education generally requires at least eight years of postsecondary education in addition to a residency program which typically takes three to seven years.

2. Increasing annual Stafford loan limits from $7,500 to $10,000 with enhanced grants and scholarship programs, particularly for qualified minority students and those from lower socioeconomic backgrounds.

3. Extending residency deferment periods from two years to at least three years, the length of primary care residency training programs.

I believe these changes will provide more favorable financing of higher education and in so doing: (1) encourage qualified individuals to pursue medical careers, (2) allow for continued low loan default rates by medical students, and (3) facilitate the entry into primary care fields by students who would otherwise face financial difficulties associated with the choice of this specialty area.

Thank you again for the opportunity to testify. I would be very pleased to respond to any questions you might have.

Mr. **Sawyer**. Thank you, Mr. Gundersen, thank you all.

I have one very quick question I want to ask. We have heard a great deal, Mr. Douma and Mr. Sather, about direct government funding programs. I was wondering if you would care to comment, either of you, on any of those proposals.

Mr. **Douma**. Well my first comment on the direct loan program is that it shifts the burden for collecting from the school to the Department of Education. Quite candidly, I have absolutely no faith whatsoever in the Department of Education collecting a loan. That is not what they are there for and I do not see that that is sound. Contrast that to the IDEA loan where the IRS is responsible for collecting it. They are a little more familiar with collecting money.

Mr. **Sawyer**. They have their methods.

[Laughter.]

Mr. **Douma**. The other thing with the direct loan program concept, the other comment I would make, is that I do not trust anything where the school does not have any involvement. And boy, these seems like a perfect way—you know, we give out the loans to everybody and we may end up again with loans going to all kinds of students at all kinds of schools and you have a great big delinquency rate, default rate. And the first person who is going to raise questions about that is Congress, quite rightly. So I have a concern about that direct loan program as contrasted to the IDEA loan program.

Mr. **Sawyer**. Mr. Sather.

Mr. **Sather**. Not to be repetitive, I have about the same comment.

Mr. **Sawyer**. Well as I said at one other hearing, other than that, how do you like it?

[Laughter.]

Mr. **Sawyer**. Thank you very much, I appreciate it.

Mr. Goodling.

Mr. **Goodling**. First of all, one of my colleagues believes, Mr. Gundersen, that you do not spell your name correctly.

[Laughter.]

Mr. **Goodling**. I will not mention which colleague it is. Would you like to defend yourself?

Mr. **Gundersen**. I just have one comment. When I got off the plane on one of these holiday breaks and was coming back from Washington actually, someone said "Mr. Gunderson, please meet the woman with the red rose out front." And I was a little bit confused and when I got out there—"Are you Mr. Gunderson?" "Yes, I am." "Are you going to La Crosse?" "Yes, I am." "Please go this way." And finally they had to explain to me that I must be a very important person or else this would not have happened. In fact, I met up with the Congressman at the next stop, which was a pleasure. I had a chance to speak with him there.

Mr. **Goodling**. Mr. Douma, I agree that whether they are student loans or whatever involvement the Federal Government has with any other branch of government or any other entity, that other entity should have some involvement in the financing, so that they are responsible and more enthused about using it properly and getting it collected.

I do have one question, however, for those schools that go out of business. The Department then has no control whatsoever—no way probably of dealing with collecting those loans that the school made, whether you are talking about a Perkins loan or what you do. And I do not know what suggestions either of you two have in dealing with that issue. You can always tell us we should not have given them any money in the first place, we should have known they were going to go out of business, but that is not always true.

Mr. **Douma**. That is very difficult, I understand, and I do not really have a solution other than I think when we start any new program, one of the things I would say, again going back to the direct loan program, is that you be very careful who you let in to begin with, and make sure the school meets some up-front kinds of standards, which we—this is hindsight, we did not have that before. And hopefully by doing it that way, you may eliminate some of the problems, but that does not solve the past.

Mr. **Sather**. I would like to comment on that, Congressman.

Mr. **Goodling**. Yes, Mr. Sather.

Mr. **Sather**. The promissory notes would still exist and those notes would certainly be notes that the Federal Government could take and collect the funds outstanding, as any other promissory note where an institution had funds and went out of business, you can certainly recover it as a matter of bankruptcy procedure with the referee who would have the authority to encumber those promissory notes and follow up and collections.

But I agree also that on the front end you have to be more careful today. What is a good school? You know, there are certain components that we could talk about and have a lot of fun with that.

Mr. **Goodling**. Thank you.

Mr. **Sawyer**. Mr. Petri.

Mr. **Petri**. I think I will defer to my colleagues. Thank you all for your testimony, it was great.

Mr. **Sawyer**. Mr. Gunderson.

Mr. **Gunderson**. What a great panel. We could spend hours in questions and discussions.

First of all, Mahrie, your inspired testimony—and I mean that—almost left me speechless.

Mr. **Sawyer**. That would be different.

[Laughter.]

Mr. **Gunderson**. I would like that stricken from the record.

[Laughter.]

Mr. **Gunderson**. Talk to me about what in particular allowed you to continue? You talked about the child care, the Stafford loan, the grants. What was the major source of financial aid that allowed you as a non-traditional student to attend Viterbo?

Ms. **Hightower**. Perkins loan.

Mr. **Gunderson**. Perkins loan.

Ms. **Hightower**. Yeah. If I get in trouble, you know, a major debt came up—let us say a medical expense or something like that that almost forced me to leave, financial aid was able to come up with Perkins loans to keep me in school.

Mr. **Gunderson**. All right, you have chosen a very good private 4-year college, but not a cheap one.

Ms. **Hightower**. No.

Mr. **Gunderson**. Explain how and what was the process—you talked about the Continuing Education office that allowed you to make this. Frankly, we need to know what allowed you to make the decision to enroll, so that we might be able to set up in terms of instruction for others as well.

Ms. **Hightower**. Why I chose a private school over public, or——

Mr. **Gunderson**. You did not choose a cheap school.

Ms. **Hightower**. No.

Mr. **Gunderson**. A good school, but not an inexpensive one. What was the process which convinced you that a non-traditional student still could attend Viterbo?

Ms. **Hightower**. I knew in the long run, I would be staying in the La Crosse area because I was a non-traditional student, I was a single parent. My daughter's father lives in La Crosse, I needed to stay in that area. And the reputation of Viterbo in the La Crosse area is outstanding, and I knew it cost more but I also knew that at that point in my life, I needed the student/teacher ratio, I needed teachers to know me, to know what my problems were, what my challenges were. Originally I intended on staying at Viterbo 1 or 2 years and then transferring to UWL because of the cost, and that did not happen. I stayed there because I think the quality of my education is outstanding. I cannot imagine—sometimes at some of our classrooms there are four students to one teacher. I am given a lot of nurturing, I am given a lot of opportunities that I do not think I would get in a bigger school, I really do not.

Mr. **Gunderson**. Erik, let us talk a little bit beyond just the direct financial aid programs to the whole area of location of physicians, especially primary care physicians in rural areas. You talked about a $50,000 average indebtedness.

One of our problems on the other hand with physician loan programs is frankly there are a number of physicians who go out to reduce their loans and immediately leave that rural area. Do you see any way we could better tie financial aid for doctors with the area of dislocation of medical services, rural, inner-city areas?

Mr. **Gundersen**. That has been the tough question all along and I do not have—there have been a lot of programs and a lot of efforts to attract physicians to the rural areas and I guess the slant that I will take is that if you make it at least financially feasible for training physicians to go that road, you are likely to get more. I think leading with the carrot to get them out there, they will stay as long as they have to, and they are likely to leave, again which is the problem that they face. But if you encourage primary care specialties through the medical training process, make it a possible option while they are making their career path decisions, and then actually get them out there and involved in the community, they are probably more likely to stay there.

Mr. **Gunderson**. In the interest of time, I am going to pass Mr. Douma and Mr. Sather, with the full knowledge we will have time between now and reauthorization—see you later.

[Laughter.]

Mr. **Sawyer**. Mr. Klug.

Mr. **Klug**. I have got to ask, Ms. Hightower, is that your daughter?

Ms. **Hightower**. Yes. Tara, would you like to stand up? This is my daughter, Tara, she is ten.

Mr. **Klug**. She not only gets to go to school, she gets to go to Congressional hearings.

[Laughter.]

Mr. **Klug**. Thanks, Tara, you may sit down now that you are embarrassed.

What kind of hardship has it been for your daughter to have gone through this the last couple of years with you?

Ms. **Hightower**. I think she has given up a lot of things that other children have, a lot of material kinds of things that I am not able to provide for her now. I have to say "no" an awful lot. Medically, luckily, she is provided for. I am not, but she is.

Mr. **Klug**. In terms of time commitments, I guess.

Ms. **Hightower**. Oh, time—she cannot wait for summers. I mean by the end of the school year, it is like "Mom, when is school going to be over." It is because I am in school full time, I am in the work study program at school, I study every night during the week, on weekends I am either at the library or studying. Really the only amount of quality time we have together is over breaks, like Christmas break and in the summer. At one point, she said she decided she was not going to go to college, it looked too hard to her.

[Laughter.]

Ms. **Hightower**. That is pretty scary.

Mr. **Klug**. Thank you.

Mr. Gundersen, let me follow up on something your distant relative——

Mr. **Gundersen**. No, no.

Mr. **Klug**. Has the amount of loan that you had to take on directly affected the kind of practice you will go into?

Mr. **Gundersen**. I am particularly concerned with this because I am looking at a primary care practice, and I think realistically it is a factor. It is not the sole factor, but I feel like I have got the commitment that I am going to do it regardless. But getting other people involved with it is going to take some work.

Mr. **Klug**. Do you know cases, anecdotally, of friends of yours who decided I am going to become an orthopedic or I'm going to become a cardiologist just because I cannot make enough money to pay my loans back?

Mr. **Gundersen**. Well I think the time when people really decide when they are going to choose a specialty is around, I think the figure is over 60 percent, during their third year of medical school when they start doing the clinical rotations and have a better look at where to go. And exactly the dollar amounts when you start your residency, a residency over 3 to 7 years, you are not really earning over $30,000, it is generally in the $25,000 or $28,000 range. Specific cases of people saying there is no way I can do primary care, it is not that direct but it is definitely a factor taken into consideration, just paying back your loans. If you have got $100,000, I think for minority students especially, over 20 percent have over $75,000 of outstanding loans and they have to think about how they are going to repay that and what sort of specialty they are going to choose. But I have not had to make that decision specifically yet and—it is definitely a factor though.

Mr. **Klug**. Again, thanks to everybody on the panel and particularly to both of you for giving us the insight of what kinds of decisions students have to go through in coming to the conclusion to go on with higher education.

I know that Mr. Sawyer, who has got to catch a plane, needs to leave about 12:30, so I will hold the rest of the questions, just so we can get done.

Mr. **Sawyer**. Let me ask for those members who would like to submit questions in writing, if you would be willing to respond, we can hold the record open.

Thank you all very much for a superb contribution.

Our final panel this morning is composed of Dwight A. York, State Director, Wisconsin Board of Vocational, Technical and Adult Education; Henry G. Herzing, President, Herzing Institutes, Inc. and Dr. Lee Rasch, District Director, Western Wisconsin Technical College.

Welcome, gentlemen. Mr. York.

STATEMENTS OF DWIGHT A. YORK, STATE DIRECTOR, WISCONSIN BOARD OF VOCATIONAL, TECHNICAL AND ADULT EDUCATION; HENRY G. HERZING; PRESIDENT, HERZING INSTITUTES, INC. AND DR. LEE RASCH, DISTRICT DIRECTOR, WESTERN WISCONSIN TECHNICAL COLLEGE

Mr. **York**. Members of the committee, we would like to again thank you for taking the time to come and listen to Wisconsin's concerns, and I specifically want to thank you for allowing us, the representatives of the technical colleges in Wisconsin, to be part of this hearing.

I think most people today agree that one of the—close to, if not the number one goal in our country as it relates to education and economic development, is to make sure that we make the right choice. I refer to the book "America's Choice: High Skills or Low Wages." We believe that for our country and for our State, that we must make sure that we make the choice to have high skilled workers at whatever level in our economy, both in our Nation and for us in Wisconsin in our State.

We believe that our vocational, technical system, which is made up of 16 technical colleges that covers the entire State of Wisconsin, will be playing an ever-increasing role in meeting this target of making sure that we make the right choice of high skills.

In our system, we serve high-risk students. Our clients are different from the traditional university kind of student. Many times, and especially in our larger cities and in serving high-risk populations, they tell us that they look upon our institutions as basically a last chance for them to be able to break into the high-skill kind of job and training that they are going to need to be successful.

These programs that we are going to talk about today are very important to our system and we provide the training for 70 percent of the new jobs that are being created. A major mission of our technical college system in Wisconsin is to prepare students for occupations requiring 2 years or less of postsecondary education.

About 155,000 students are enrolled in 1 or 2 year programs in our system and another 12,000 are enrolled in our college parallel program. Most of our students are non-traditional—up to 85 percent, depending on the definition that you use. The average age of our student today is 29 and I think bodes well for the fact that in Wisconsin we look to education in truth being lifelong learning.

I believe that simplifying the assistance programs that we are talking about will improve access to all students, including those in our 2 year technical colleges and therefore, should be a major goal in the reauthorization. As programs and procedures are simplified, those considering postsecondary education for themselves or their children will find it easier to clarify options and costs and do a better job of planning for their future.

Recommendations:

The reauthorization should require streamlining of the process of applying for aid as has been discussed this morning. The development of a single simplified need analysis. The number of programs we feel should be reduced to four; Pell grants, Stafford loans, direct loans such as the IDEA Act program proposed by Congressman Petri and college work study.

The initial application for student aid by public assistance recipients should establish their eligibility for succeeding semesters or quarters.

Decreasing Stafford loan defaults and improving the balance of grants and loans. Studies show that college students enrolling in their first year incur the highest number of defaults and that many of these students leave school before completing their first semester. Better loan administration will help reduce these defaults.

However, the prospect for many people of all ages that enter our system, going into debt immediately with the first day of class is a strong deterrent to them to begin student—going for career goals that they have. We recommend Stafford loans should be available to college students in their second year, after they have proven their ability and commitment to perform program activities.

Public accountability for the Stafford loan program should be improved by identifying campus, guarantee agency and lender responsibilities for loan administration, especially for counseling students on loan and payback obligations. Consideration should be given to assigning some level of financial risk to lenders and guarantee agencies to assure more effective management of these programs.

Although the U.S. Department of Education has just implemented an improved methodology for calculating Stafford loan default rates, the new system does not indicate the dollars in default, an amount that is often much higher for other postsecondary institutions which have low default rates but high dollar default amounts. The rate only is the number of loan defaults, not the amount. Small loans count the same as large loans. I again point out to you that our clientele is much different than the traditional university student and so when we look at loan defaults, I think we have to look at the total picture, and we think the amount should be part of the equation.

Therefore, we recommend the reauthorization should require a substitute for the current default rate, the development of an institutional default index that takes into account both the rate and the amount in default.

An area that we are very concerned about in our system and in our State because we see it as an excellent program, is the area of tech prep. It is an excellent program and Congress included it in last year's reauthorization of the Carl Perkins Vocational and Applied Technology Amendments. It enables high school students to begin a technical education program their junior year and to continue through 2 years of occupational education in a community or technical college.

However, there is a hitch. Postsecondary institutions with default management plans, those with default rates above 20 percent, are ineligible to participate. This means that technical colleges in Milwaukee and in other parts of the State including the southeast, may not participate in this program. Tech prep will improve the preparation that high school students receive while they are in high school and will reduce the remedial instruction that students will need later on. Better preparation will result in students completing programs with fewer defaults.

However, if this program is to be effective, particularly in urban areas, institutions serving a high portion of at-risk students must participate. I think I could ask the panel to point out in your own State or in Wisconsin, those that are familiar, where do you think—if you just started out, where do you think we are going to have the highest loan default. Every one of us would be able to identify it. I think it is wrong then to penalize an institution that happens to have that kind of clientele.

We think it is important that you amend 343 of the Perkins Act to authorize public, postsecondary institutions that are eligible for Stafford loan programs to be eligible also for tech prep. In other words, not a higher standard.

Current loan defaulters lose eligibility for all Federal student assistance and find it impossible to change from default to repayment. We recommend, therefore, that the reauthorization should direct the U.S. Department of Education to develop procedures for allowing students to change their loan default status to a loan repayment status upon agreement by the student and the lenders.

In our system, very honestly, a lot of our loans are for very small amounts, but we have a lot of high-risk students and it is not working if we just say you are in default of some amount and then you cannot access the system again. I mean it would be nice if they knew exactly what they were going to do and get into the program and follow through, but the kinds of people that we serve and we want to serve, and I think we all agree it is very important to serve, that is not really realistic.

Direct loans. Some students may not qualify or may not want Stafford loans. They should have the option of securing a direct loan at low interest to defray the cost of education. The excellent direct loan program proposed in H.R. 2336 by Congressman Petri, and as has been mentioned a number of times this morning, the IDEA Act loan, would have relatively low interest, the T-bill 90-day rate plus 2 percent, would not require an up-front initiation fee. A need analysis would not be required and payback would be geared to the borrower's income level and would be collected as income tax by the IRS. The payback periods of 12 to 18 years is longer than the Stafford period and repayment would be deferred for those whose income was below a given level.

Borrowers who earn high salaries during the repayment period would pay a premium charge of up to 2½ percent, an amount estimated to be sufficient to cover the loans not repaid.

The IDEA Act loan proposal offers an excellent option for students and does deserve serious consideration. Therefore, we recommend to establish a direct loan program as proposed by Congressman Petri in H.R. 2336.

The Pell grant program is very important to our system. The savings that would result from eliminating the Stafford loan eligibility for first-year college students should be applied to increase the funds needed for the Pell grants. In other words, we recognize that there is not just an indefinite amount of money, an infinite amount of money out there. To make this possible and to ensure that the Pell Corporation would meet the needs of all eligible students, the Pell program classification must be changed.

Recommendation: Designate Pell as a domestic entitlement program like the Stafford loan program, so that under the new deficit reduction rules, reductions in the Stafford appropriation could be applied to increases for Pell.

The Pell grant maximum for students enrolling in their first year should be increased to cover the costs currently supported by the combination of the Stafford loans and the Pell grants.

Thank you very much for allowing me to testify and I will be happy to answer questions later.

[The prepared statement of Dwight A. York follows:]

TESTIMONY OF DWIGHT A. YORK, STATE DIRECTOR, WISCONSIN BOARD OF VOCATIONAL, TECHNICAL AND ADULT EDUCATION ON REAUTHORIZATION OF THE HIGHER EDUCATION ACT BEFORE THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES, U.S. CONGRESS

Madison Area Technical College
Madison, Wisconsin, July 19, 1991

In Wisconsin's two-year technical colleges, Pell and other grants typically cover less than half the costs associated with attending school. As costs mount, minority, disadvantaged, and other potential students who cannot afford the tuition, living and other costs, are foregoing college rather than risking their futures on loans.

At the same time, jobs requiring the special skills and knowledge that can be learned in two-year college programs often go begging. It is a sad fact that too many youth are unprepared for further education or for productive careers. Two-year colleges have been effective in assisting students whatever their educational needs, but cost is now swinging the door closed. This is true for adults as well as youth just out of high school. Adults in the work force today find it increasingly difficult to pay for additional education to improve their work skills and knowledge so that they can advance on the job.

Employers are frustrated by the fact that they cannot find qualified persons to fill open positions. They need qualified persons for technical and service positions requiring both long and short-term postsecondary education. Many of those who could benefit from additional education believe they cannot afford it and are stopping their education short. As a result, employers are unable to find qualified employees and, therefore cannot compete in today's marketplace. Our failure to preserve and extend access to postsecondary education as an investment for the future will inevitably lead to a loss of competitive edge by home-based firms in both domestic and world markets, a reduced standard of living for our workforce, and stagnation of the infrastructure that supports production and service in our economy.

In asking what the federal government together with the higher education community can do to improve access through student assistance programs, it must be recognized that there is no bargain solution. Financial assistance is seed money for future human resource development and must be available to persons who are qualified to benefit and who need the assistance. To make a greater effort here will mean that we must devote a substantially greater share of the nation's resources to education.

It is no secret that federal student assistance is perceived by some to be ineffective. Misuse of Stafford loans has become a lightning rod for criticism, undermining public confidence in all student assistance programs. With reauthorization, we have an opportunity to improve the federal student assistance programs, to make them more effective. If this can be accomplished, I believe the country and Congress will lend their support.

How can we make these programs more effective? I have a number of suggestions that are widely shared in the education community. Our bottom line is simply that whatever changes are made in federal student assistance, access to education by Wisconsin technical college students must be increased, not decreased, as a result.

Simplification

Federal student assistance over the years has become so complex that it defies understanding by those who need it. Under the current Act there are too many programs, applications are too lengthy and difficult to complete, and the formulas to establish need are inconsistent and unnecessarily complex.

I believe that simplifying the assistance programs will improve access, and should therefore be a major goal of reauthorization. It is axiomatic that as programs and procedures are simplified, more people will understand them and make use of them. Simplification should increase planning by making it easier to clarify options and costs for those thinking about postsecondary education. If the programs are too convoluted, as they are at present, it is unduly difficult for counselors to explain assistance options to those who want to map an educational future for themselves or their children.

RECOMMENDATIONS:

- *Consolidate all federal student assistance into four programs: Pell grants, Stafford loans, direct loans such as the IDEA Act program proposed by Congressman Petri, and College work-study;*
- *Streamline the process for applying for and securing student grants, loans, and college work-study;*
- *Reestablish financial aid officer professional judgement as recommended by the National Association of Student Financial Aid Administrators;*
- *Provide for the development and implementation of a single, simplified, need analysis methodology;*
- *Require use of a no-fee application for students, and allow students who receive federal human resource benefits (AFDC, food stamps, etc.) to establish eligibility automatically for financial aid upon completion of an application for the initial semester or quarter of enrollment;*
- *Authorize the development of an easy-to-understand information pamphlet on federal student assistance programs that can be used by counselors, students, and parents in planning and financing an education program.*

Stafford Loans and High Defaults

In 1989-90 Stafford loans were made to 14,493 technical college students, or about 20 percent of all students in programs that would qualify for federal student aid. These loans totaled $25.2 million, and the average loan was $1,741. The Stafford loan program is very important to technical college students in this state.

Wisconsin's technical colleges together with many in Congress have long sought a better balance between loans and grants, urging that more emphasis be given grants. This was done to reduce the debt students bear upon completion of their studies, but also because the prospect of going into debt weighs heavily in the decision to begin or to continue in college and is clearly a disincentive for many qualified persons who may, because of this, choose not to continue their education. New college students, especially those with weak family support, typically develop a strong stake or commitment to their education program only after completing a semester or two. A mounting debt which begins with the first day in class may discourage them from continuing.

Those who have studied loan defaults know that students enrolling in their first year of school incur the highest number of defaults, and that many of these students leave school before completing the first semester. Better loan administration can screen out many who borrow and default. However, it is clear in many cases that loans are offered to beginning postsecondary students who would be much better served by grants that are large enough to cover costs now covered by combined grants and loans.

RECOMMENDATIONS:

- *Make Stafford loans available for beginning students in their second year at the earliest, after they have proven their ability to perform program activities (first year students would still be eligible for direct loans);*
- *Increase Pell grants for the first year to offset the nonavailability of Stafford loans;*
- *Improve public accountability for the Stafford program by ensuring that campus, guarantee agency, and lender responsibilities for counseling students who accept loans, regarding student obligations and payback provisions, are specified and enforced;*
- *Consider increasing the responsibilities of, and establishing the assumption of some level of risk by, Stafford loan guarantee agencies;*
- *Standardize the guarantee fees for all institutions.*

The southeastern industrial area of Wisconsin has the highest percentage of academically and economically disadvantaged persons in the state. Students in the technical colleges serving this area -- Milwaukee Area Technical College, Gateway Technical College serving the Racine-Kenosha area, and Blackhawk Technical College serving Beloit and Janesville and the surrounding area --

have the highest loan default rates in our system. Ironically, some postsecondary institutions have higher default rates just because they are serving those that Congress wants them to serve: the disadvantaged, the handicapped, minorities, and displaced workers. We could achieve lower default rates by serving only those who aren't at risk and don't need loans. I personally believe that the chance we take on students is worthwhile and pays off in the long run.

Under the current Act, if one or more of our technical colleges loses eligibility to offer guaranteed student loans, in the absence of a workable direct loan program, the result would be disastrous. Access to occupational training would be tremendously reduced for the very individuals for whom student aid was designed. Students who could not attend school without loans would leave, or would not begin. Non-defaulters as well as defaulters would be hurt. Also, students planning to enroll in the future, with federal student assistance, would be forced to look elsewhere for postsecondary education. In addition, business firms and industry in the area would have a more difficult time recruiting qualified technicians and workers.

I believe that the default rate -- the means used by the U.S. Department of Education to determine the eligibility of an institution to enroll students who can secure federal guaranteed loans -- produces unfair results for public two-year college students. The rate does not reflect the amount of dollars that are unpaid by former students, an amount that is often much higher for other postsecondary institutions which have lower default rates but higher dollar default amounts. Schools training a high volume of students in programs of relatively short duration, and schools that enroll many less-than-full-time students, are therefore penalized, as are their students. The default rate is a function of the number of loans granted that have been defaulted, not the amount defaulted. Small amounts count the same as large ones.

RECOMMENDATION:

- ***The reauthorization should require, as a substitute for the current Stafford default rate, development of an institution default index that takes into account both the Stafford loan default rate of students who attended the institution and the dollar amount of loans for which those students are in default.***

There is another provision in federal legislation relating to default rates that needs attention. It is the requirement that institutions that have entered into default management plans, that is, whose rates are above 20 percent, are not eligible to participate in the excellent tech-prep education program under the Perkins Act. According to this provision, the economically disadvantaged students who make up a high proportion of the enrollment in many urban two-year colleges, and stand to gain the most through programs like tech-prep, will be excluded. If the technical colleges in Milwaukee and in the southeastern part of Wisconsin are denied eligibility to participate in tech-prep, it will be very difficult for high schools in the area to form partnerships with postsecondary institutions where students could continue their programs through two years of occupational education.

RECOMMENDATION:

- *Permit nonprofit institutions of higher education which offer associate degree programs to be eligible to participate in the Carl D. Perkins Vocational and Applied Technology Amendments Act of 1990 (section 343) tech-prep program if the institutions are eligible to participate in the Stafford loan program.*

Currently, students who default in repaying Stafford loans lose their eligibility for all federal student assistance. This is, I believe, an unusually harsh rule for students who, often because of no fault on their part, are unable to find work or cannot meet the payback provisions of the Stafford program. Provision should be made to allow students whose Stafford loans were declared in default, to continue their education with federal assistance, provided an agreement is reached for repayment of the defaulted loans.

RECOMMENDATION:

- *Reauthorization should direct the Department of Education to develop a procedure to allow students to change their loan default status to a repayment status upon agreement by the student and the lender;*

- *Allow students in loan default status to apply for and receive federal assistance other than loans, such as grants and college work-study.*

The student assistance programs can be fine-tuned to meet the needs and purposes of students in the various sectors of education only if these sectors and their purposes are recognized and are taken into account, particularly in the development of rules and regulations.

Also, regulation and oversight should be kept to a minimum by permitting self-regulation for institutions with low default rates (or indexes) and a relatively low volume of Stafford loans.

RECOMMENDATIONS:

- *The reauthorization should specify that regulation of Stafford loans be developed for each education sector, with rules for two-year institutions, four-year institutions, graduate programs, and proprietary institutions, for example, to take into account the different needs and purposes of each sector;*

- *Strict accreditation standards should be developed to ensure quality programs and to eliminate chronic abusers;*

- *The reauthorization should provide for self-regulation of Stafford defaults if certain conditions are met by an institution, conditions such as a threshold number or percentage of enrolled students in the Stafford program and a default rate or index below a given level;*

- o *The Pell grant maximum for students enrolled in their first year should be increased to cover costs now supported by combined Stafford loans and Pell grants.*

Stafford loan abuses have become a lightning rod for criticism, undermining public confidence in all student assistance programs. With reauthorization, we have an opportunity to improve the loan program, and to regain lost support.

Pell Grant Program

In 1989-90, 20,000 Wisconsin technical college students received a total of $27.3 million in Pell grants. As I have indicated, we have urged changes in the Higher Education Act that would increase the emphasis given grants over loans. If there is a reduction in the need for support for Stafford loans, as I believe there will be in a restructuring of the aid program along the lines suggested, then it would be fitting if reductions in Stafford loan appropriations could be used to increase Pell grants. This is not possible today under the deficit reduction rules because the two programs are in different appropriation categories which prevents reciprocity.

If the Pell program, like Stafford, were classified as a domestic entitlement program, savings in the one program could be applied to increases needed by the other. Equally important, this change would ensure that the Pell appropriation will meet the needs of students who are eligible for grants.

RECOMMENDATIONS:

- o *Designate the Pell program as a domestic entitlement program, like Stafford loan program, so that under the new deficit reduction rules, reductions in the Stafford loan appropriation can be applied to increases in Pell appropriations;*
- o *Increase the Pell grant maximum for students enrolling in their first year to cover costs supported currently by combined Stafford loans and Pell grants.*

A Direct Loan Program

Potential students planning to attend college may wish to secure a direct loan with flexible payback, rather than a Stafford guaranteed loan. Under a flexible direct loan program, loans would not be tied to a needs analysis and could be made at the education institution site at the lowest feasible rate. Congressman Thomas Petri's H.R. 2336, the Income-Dependent Education Assistance Act of 1991, or IDEA Act for short, would allow students to borrow $6,500 for each of the first two years of college, and higher amounts in later years, up to a total of $70,000. Flexible payback would be based on income and charges for most students would be at the T-Bill 90 day rate plus 2 percent, and would normally extend over a period of 12 to 18 years. IDEA Act loans would require no up-front initiation fee, and payback would be collected as income taxes, by the Internal Revenue Service.

Under the Petri proposal, those who lost their jobs or took lower-paying jobs, would have their payments automatically scaled back. Persons whose income was below a specified level would make no payments and individuals whose income remained low would have 25 years for repayment, after which all remaining loan amounts would be forgiven. Borrowers who earned high salaries during the repayment period would pay a premium charge up to 2.5 percent, an amount estimated to be sufficient to cover loans not repaid. This feature together with flexible repayment should all but eliminate defaults.

RECOMMENDATION:

- *Establish a system of direct loans as provided in H.R. 2336 by Congressman Thomas Petri, restricted to direct educational costs unless a federally accepted need analysis has been completed.*

College Work Study

We don't often hear much of the programs that work well. The college work-study program in the technical colleges is such a program, although it is not as important as Pell or Stafford. It is a useful component in the aid package for the 2,500 students who participate.

RECOMMENDATION:

- *Continue the excellent College Work-Study program.*

Ability to Benefit

The ability to benefit provisions of the Higher Education Act have taken a roller coaster ride since last year. The latest changes, signed by the President on April 9, require all persons who enter college for the first time after July 1, 1991, and who do not have a high school diploma or its equivalent, to take and pass an examination approved by the Secretary of Education in order to be eligible for federal financial assistance. Those who do not pass the examination are not eligible for federal financial aid.

The Wisconsin Technical College System has developed admission standards for all of the occupational education programs offered by its institutions. Student ability and interest levels are determined through testing, counseling, review of transcripts, and experience. Technical college staff are well positioned and qualified to determine the ability of prospective students to benefit from one or more of the programs offered.

The average age of students in the Wisconsin technical college system is about 30 years. Persons in their 30s and 40s who wish to return to school after many years, and need financial assistance, may be turned away by a test to prove their ability to benefit. The requirement does not fit individuals who have extensive work experience and wish to build on that experience by enrolling in courses to upgrade their occupational skills. If a test must be given, what should it be? Since the education programs often require quite different preparation and abilities, it is highly unlikely that passing a single test from a list prescribed by the Secretary of Education will be a particularly effective indicator of a student's ability to benefit from a given program.

RECOMMENDATION:

- ***Modify 'ability to benefit' rules to restore the option previously exercised by postsecondary institutions to determine whether a student without a high school diploma or GED will benefit from an educational program and will therefore be eligible for federal financial assistance, in states where a process and standards exist for determining ability to benefit.***

Assistant Secretary of Education for Community and Technical Colleges

Certain higher education issues such as issues relating to postsecondary occupational education not requiring a baccalaureate degree, can be addressed most effectively by those with experience in two-year colleges. The two-year colleges differ in many respects from baccalaureate institutions, in services, in the attributes and interests of students, in curricula, and in the economic and societal needs they meet.

Students in the two-year colleges are usually older than undergraduates in four-year institutions, are more often married and have families to support, and are more likely to attend less than full-time. Programs in the community and technical colleges are generally shorter, and devote less time to theory and more to practical, or technical, applications than programs in four-year institutions.

Few education administrators and policy-makers at the national level have first-hand experience with community college education issues. Yet more than half of our nation's undergraduate students enrolled in public institutions are enrolled in two-year colleges. Given this role, community and technical colleges deserve more focussed attention at the national level.

RECOMMENDATION:

- ***Establish an Assistant Secretary for Community and Technical Colleges in the U.S. Department of Education, to promote better understanding of the services two-year colleges can and are delivering, and to provide more effective coordination with other education programs and agencies.***

Mr. **Sawyer**. Thank you.

Mr. Herzing.

Mr. **Herzing**. Thank you very much for the opportunity to share some of my thoughts regarding the reauthorization of the Higher Education Act.

I am here as President of Herzing Institutes, but also as President of the Wisconsin Council for Independent Education, which represents accredited private trade and business schools in the State of Wisconsin.

I operate eight schools, founded our company 26 years ago. Four of these schools are in the United States and four are in Canada, so I have had some insight into how they operate their financial aid programs also.

In the State of Wisconsin, we operate the Wisconsin School of Electronics which has approximately 300 students in electronic engineering technology and computer aided drafting. Over 90 percent of these students obtain jobs in their field of major. Over 120 companies in the last 3 years have hired these students and they tell us that these students are very important to their companies' development, and as a source of labor for them.

I want you to know that the Title IV programs; the Stafford loan program, the Pell grant program, SLS and PLUS, are very important to our students. They would not be able to choose our type of institution without these programs. About 80 percent use the Stafford program, about half the Pell and about 10 percent use the SLS or Plus program. Our recent default has been 6.2 to 6.4 percent, and that puts us ahead of about 25 public institutions, either University of Wisconsin branches or public VTAE schools in the State.

So it would be very self-serving for me to assert that yes, a default rate is an appropriate measurement. However, I do not feel a default rate is an appropriate measurement by itself, of educational administrative ability or educational quality. The VTAE in Milwaukee has had over a 35 percent default rate the last 2 years, this last one that just came out a couple of days ago, kept it from being eliminated from the Stafford loan program and I believe it is a quality institution and I believe it has proved itself that way. It is ironic that a school we operate in Birmingham, Alabama probably serving a similar clientele, has exactly almost the same default rate, about 25 percent. So I think I share some of the concern of a prior speaker of some of the arbitrariness of a default rate measurement, although obviously I understand the problem and I think you have to start somewhere. But I think above a certain trigger, you have to look at other indices of institutional performance. And I think there are other ways to address the problem, such as program reviews and State supervision.

We have not had problems that some proprietary schools have had in other parts of the country, in Wisconsin. I think we have an effective supervision of private schools here and I think the Triad concept of accreditation, State supervision and appropriate Federal oversight, has worked well here, primarily because the State aspect of it has done its part.

I do want to make some other points regarding that cutoff thing, is that in the State of Alabama, for instance, where there are several institutions that are going to be over 35 percent, they are dropping out of the program. Well this is all well and good for a public institution because they still get the public subsidy in terms of local taxpayer support. In the State of Wisconsin, that is $8,000 a year. That is like an $8,000 grant a student is getting to go to a public school, where they are getting nothing to go to our school. Our cost of tuition has not gone up higher than inflation. Our cost of tuition is $460 a month, the cost at a public institution is $1,000 a month, according to the public institutions' own published reports in the State of Wisconsin.

I say this by way of indicating that to just cut out private institutions sometimes is not saving money. It may save the Stafford loan program money, but you are shifting—if the students are getting educated, you are shifting that burden to other public taxpayers. And so, I would like you to consider that problem.

There are other problems with the Stafford loan program, and that is servicers. In the State of Alabama, we have had 15 percent of our student incur very significant problems in student loan servicing. Where we have a 25 percent default rate, that is a pretty high percentage and I think it does affect that overall rate.

You probably have also seen that there are guarantee agencies that have a 50 percent higher default across all sectors; 4 year, community colleges and private sector, than other guarantee agencies. So there are things being done by other players other than the institutions that affect the default rate.

And we do know, and as a previous speaker has said, the population being served is, I think, still the most important factor, as I can see, internally in our own organization where we have one school with a 25 percent default rate and another with a 6 percent default rate.

So I think that we need to look at those areas of concern when you look at reauthorization and I hope you will.

One of the things that we have before us, I think, as has been mentioned several times today, is an act or a proposed act that would address many of these problems. It would address the problem of access—and let me say a little bit more about access, which I forgot to cover. One of our greatest concerns in private career schools now is access. Again, luckily not so much in Wisconsin, but it is in Florida, Georgia, Alabama, Texas, and you do not have to have over a 35 percent default rate, you do not have to have over a 20 percent default rate. You just have to be a private career school or you have to have just had a student who had a difficulty financially several years ago. So we find that these students are not having access to SLS or Plus and many times are being turned down for Stafford because of past financial difficulties or many times the school or the student cannot find a lender at all. So this is a very significant problem.

And I would like to endorse at this time, Congressman Petri's bill, the IDEA Act, the Income-Dependent Education Assistance, because I think it addresses a lot of the problems that I have talked about; the default rate, the default cost, the lack of access. I think it would be a much more efficient way to not only distribute funds but to ensure their collection, which is a very important part of the whole process.

I would like to also say that as a member of two national organizations, the National Association of Trade and Technical Schools and the Association of Independent Colleges and Schools, that we have supported a default reduction. We have spent a lot of money and time over the last several years with efforts in that area and we are trying to do everything that we can to work in that direction. We also have given proposals on the reauthorization I believe to your various staffs and I hope you will consider those when you are considering the reauthorization process.

I know it is a very heavy responsibility you have, but it is going to affect the choice of many students in the future and where they will be able to go to school, if they will be able to go to school, and whether they will be able to have the career of their choice.

Thank you very much.

[The prepared statement of Henry G. Herzing follows:]

Testimony before the Subcommittee on Postsecondary Education Committee on Education and Labor U.S. House of Representatives

by

Henry G. Herzing, President
Herzing Institutes, Inc. and
Wisconsin School of Electronics

July 19, 1991

211 N. Carroll Street
Madison, Wisconsin

Mr. Chairman and members of the Subcommittee, good morning. I'm pleased to have the opportunity to share my thoughts with you today on the important subject of Reauthorization of the Higher Education Act.

I am president of Herzing Institutes, which operates four career schools in the United States and four schools in Canada. In Wisconsin, the Wisconsin School of Electronics educates approximately 300 students learning to be electronic technicians and computer aided drafting specialists. This morning I would like to speak to you from my perspective as Herzing Institutes' president. But, as president of the Wisconsin Council for Independent Education, I will also attempt to represent the views and concerns of private career schools and colleges in Wisconsin.

Aid made available to our students under the Higher Education Act is very important to their ability to attend the Wisconsin School of Electronics. Approximately 81% benefit from the Stafford Loan Program, 53% from the Pell Grant Program, and 7% from the SLS or Plus Loan Program in meeting their educational expenses in attending Wisconsin School of Electronics.

More than 90% of our students become employed in the field of electronics technology or computer aided drafting/design after they graduate. Our students have been employed by 120 companies in Wisconsin over the last three years. Many of these companies tell us that we are an important source of skilled technicians in electronics and drafting. Without the support from federal student financial aid many students would not be able to choose our school, and we would not be able to provide these companies with the skilled technicians that are important to their development.

An important issue you are considering is the cost of loan defaults and the default rates of particular institutions. Our institution has worked very hard with other private career colleges in developing plans and programs to lower default rates. We have been successful in doing so.

The 1988 cohort rate for the Wisconsin School of Electronics was 6.2%. This is lower than the 1988 cohort default rate of 25 public Wisconsin institutions, University of Wisconsin campuses or public vocational schools. It would be very simple and self serving to conclude that default rates are the appropriate measurement of educational quality and administrative excellence. Unfortunately, neither life nor education is that simple.

An institution can control default rates to some extent. Almost any institution, by adopting an effective default management plan, can lower its default rate. However, even with consistent educational excellence and proper administrative controls, you will still see significant and very large differences in default rates between institutions based upon the population they serve.

For instance, the public vocational school in Milwaukee has had over a 35% default rate for the last two years. If that persists in the 1989 cohort default rate, the school would be eliminated from the Stafford program. By adopting this law, Congress seemed to be saying it doesn't think that school is very worthwhile institution. Nonetheless, the public funds would continue to flow to that institution.

A private career college with similar default rate, on the other hand, would no longer get public funds in the form of financial aid supporting the students' choice. Public institutions would continue to get the $1,000 per month or $8,000 per academic year the state of Wisconsin, by its own calculations, says it costs to run a technical program such as ours.

There are two points I am trying to make. One is that the results and the effects of the cut-off are not even-handed between public and private institutions. The great majority of support for public institutions will continue regardless of the default rate. And two, the default rate is not an appropriate measurement of educational excellence or administrative competence when taken by itself.

Milwaukee Area Technical College is regarded as a quality institution and was one of the first institutions of its kind in the United States. I am not recommending or inferring anything else, but persons who would say default rates are the appropriate measurement of educational excellence and administrative competence are not addressing the issue of continued public support for public institutions that continue to have a default rate above 35%. Or perhaps these individuals will admit there are other factors at play.

Obviously, my conclusion is that many factors significantly affect default rates, such as the population being served, socioeconomic status, family burdens and the great variety of day-to-day problems implicit in living in many of our cities.

Another factor is the over reliance on loans as the primary source of aid. As you know, during the 1980s we say a dramatic shift from grants to loans within the typical aid package. That means that today even the poorest student may leave school under a crushing burden of debt. Restoring a better balance between grants and loans, will certainly help to reduce loan defaults.

Furthermore, although we are proud of our comparatively low default rate in Wisconsin, our default rate is much higher in Alabama, where we are serving a lower social economic group of students with generally lower income and a higher percentage of minority students. We have been even more aggressive in a default management program in Alabama and have brought our default rate down, although it is still in the 25-28% range. We wish it were lower, and we are doing everything to make it lower, but we also realize that if we attempt to help only those students who have a good income, assets and a stable life, we will miss many of the students who really need our help.

The public institutions in Alabama are seeing the effect low-income, socially and educationally disadvantaged students have on their default rates. Eight of the schools had higher default rates than our school in Alabama, with four of them having 1988 default rates of about 50%.

Their solution to the problem as reported in the local press is to withdraw from Stafford Loan Program. After all, almost all tuition is paid by the taxpayer, Pell and other grants are still available to their students, and therefore it is really not a problem. Well, at private career schools, where the student pays the full cost of education, withdrawing from the Stafford Loan Program cuts off a major source of funds for students to afford a choice in their education.

And although it may save the Stafford Loan Program money, it certainly will cost the taxpayers much more. For example, the average cost to the federal government of a financial aid package for an academic year at a private career college is $2,000 to $2,500 as compared to the $7,000 to $8,000 for the cost of a technical program at a public institution -- and that's before the extra state and federal cost of grants to the students.

There is another very important issue about defaults, and that is who is servicing the loan. Approximately 15% of our students in Alabama incur problems with loan servicing. We have a full-time person assigned to default management and in some cases it takes more than one day's time to straighten out a student's account. Students sometimes receive three or four conflicting notices from a loan servicer on the same day. You have probably already received data that shows that the default rate can vary significantly by guarantee agency -- as much as 50%.

So, (1) yes, there is a role for the school to play in lowering default rates with an effective default management program, but (2) the most significant factor affecting default is the population being served, and (3) the lender and the servicing of the loan can have a significant impact on the overall default rate.

Of almost greater concern to private career schools now is that a student's access to a Stafford Loan is not being determined by congressional intent but by the myriad of other players in the complex delivery mechanism for Stafford Loans, namely the banks and guarantee agencies. Consequently, it doesn't take a 35% default rate to be effectively eliminated from the guaranteed loan program or to be partially eliminated. In some cases, a rate of over 20% -- or just being a private career school -- is enough to eliminate or partially eliminate a school from the Stafford Loan Program.

Lack of any access to SLS or PLUS loans or a rejection for a Stafford Loan because of poor or marginal credit or even no credit history are some of the situations being faced by students trying to improve their future and to develop skills the American workforce needs. So far these problems have not surfaced in Wisconsin, but they are very real and almost daily problems for our schools in Georgia and Alabama.

There is a proposed program that could address many of the problems I just covered, i.e., default date, uneven effect of loan program elimination on students at private versus public schools, inconsistent and unpredictable access and a very complicated and inefficient delivery and collection system. The proposed program is Congressman Petri's Income Dependent Education Assistance (IDEA) Act. From my reading of the "IDEA" Act and supporting documentation, it would appear to address each of the concerns addressed above, including, very importantly, loan access according to congressional intent and efficient as well as effective collection.

If the United States is to have a world-class workforce, we need world-class educational assistance programs. I hope you will give the IDEA Act your very serious consideration.

Earlier, I mentioned the default-reduction programs many private career schools are using. Many of these are the result of work done by the Association of Independent Colleges and Schools (AICS) and the National Association of Trade and Technical Schools (NATTS). These two associations, and their accrediting commissions, have helped reduce student loan defaults and abuse of student aid programs. The innovative default management initiatives undertaken by AICS and NATTS schools have already contributed significantly to reducing default rates.

I also urge you to take a careful look at the AICS/NATTS legislative proposal they have submitted to Congress. It outlines additional changes that will help reduce student loan defaults and improve the oversight of these programs.

The work you do in reshaping federal student aid programs is extremely important. It will go along way toward determining what schools operate, whether students can go to the schools of their choice, and whether they will be able to get the kind of education they need. As make these decisions, I hope you will keep my concerns in mind.

Thank you very much.

Mr. Sawyer. Thank you, Mr. Herzing.

Dr. Rasch.

Dr. Rasch. Thank you, Mr. Chairman, members of the committee, and I guess I would like to specifically thank Congressman Gunderson, who stepped out briefly, for this opportunity to testify this morning.

There are advantages and disadvantages to being last on the program and one of the advantages today is that we will hear this right before lunch, and I suppose that may be one of the disadvantages as well.

My testimony will focus on those elements that are deemed most critical at Western Wisconsin Technical College, but they will also reflect the conditions within the Wisconsin Technical College system and I believe within the 2-year public—2-year college system in general.

At WWTC, the average age of postsecondary students—this is not counting continuing education students—has increased from 26, 10 years ago to the current average age of 30. At the same time, the number of students enrolled in basic skills education during that same period has increased from 7.9 percent of the college's total enrollment to 18.3 percent this past year, and the number is projected to continue to increase. The number of single parents enrolled has increased significantly during that same period. In fact, approximately 37 percent of WWTC's students require child care to attend classes.

At the same time, while full time enrollments have remained relatively stable during the past decade, part time enrollments have increased significantly. The result is what we have is a new student population, a student population that finds itself going back to school after being out of the education system for some time. These students are likely to be working, many are single parents and typically they are enrolled as part time students while holding down jobs or trying to meet other family obligations. Many are minorities or considered to be disadvantaged.

And while we continue and will continue to serve what is called the traditional student population, the 18 to 23 year old student, the returning adult part time student population is clearly growing at a faster rate.

Although these student demographics are important, it is necessary to also address the cost and funding issues. The higher education system has found itself placing an increased burden upon the student population to cover the costs of higher education. Higher education costs have increased at rates that have exceeded, on a whole, the cost of many other goods and services in this country during similar time periods. And while the reason for these cost increases are many, the Higher Education Act, by design, should incorporate supports for quality improvement concepts to maximize the effectiveness of higher education and its delivery and its return on investment.

With these two images in mind, I would like to identify five overall priority areas to report.

The first priority area involves financial aid and although we do not recommend dramatic changes in funding in Pell grant programs, we do offer some specific recommendations within the financial aid area.

In the area of child care, at WWTC, approximately 32 percent of the students that receive Pell grant funds are awarded a child care allowance; however, since the allowance, a $1,000 child care allowance, is added to the student's Pell grant budget, these students actually only receive $210 per year in additional Pell grant monies. This provides little real assistance to students in covering those child care costs, for those students that have the greatest need.

Our recommendation in the case would be to revise the child care formula to increase the actual dollars received by students without penalty to the total student allocation.

In the area of untaxed income, currently financial aid affects the individual's eligibility for food stamps, social security disability, Medicaid or welfare because it is considered personal income. Students receiving food stamps, for instance, have their food stamps reduced proportionately by the amount of financial aid they receive. Many cannot continue in school because school actually competes with feeding their families, or they may be in a situation where they may be taking out loans that they cannot pay back.

Our recommendation in this area is to define financial funds as education-related costs of going to school rather than personal income.

Regarding loan deferments, currently if a student falls below half time student but is still current enrolled, they automatically go into repayment status for the loan. Furthermore, if students are enrolled on a half time basis—less than a half time basis, they must borrow again to obtain a deferment for previously made loans. Because these rules are detrimental to the borrower, the first discourages the student from staying in school and the second encourages unnecessarily increasing load debt.

And a recommendation in this area is to remove the stipulation that currently enrolled students who are less than half time go into a loan repayment status or be required to borrow again to regain a deferment.

Regarding the simplification of forms and formulas—this has been talked about before—clearly these items are a barrier to students, particularly the adult returning students who face many obstacles and barriers in their decision to come back to the classroom.

And our recommendation here is simply to simplify the funding formulas and applications forms to make them clearer and to use the term "user friendly" to students.

In addition to these specific recommendations regarding financial aid, we also support the IDEA program proposed by Congressman Petri and discussed here earlier.

The second overall priority area involves the ability to benefit within the Department of Education. This rule may close doors to many students who are fully capable of completing a program, by removing the education program from its proper role in the assessment and advising process.

And our recommendation here is that while Congress has reached an agreement regarding this rule, no further restrictions should be placed upon students regarding this area without adequate analysis of the new rule and proper school input.

In the third priority area, the identification of an assistant secretary for community, junior and technical colleges within the Department of Education is one that warrants consideration. Such a designation would encourage face-to-face meetings in order to help open communication lines and ultimately lead to a better understanding and representation in the development of policy and procedures within the Department of Education.

And our recommendation here is simply to establish the office of assistant secretary for community, junior and technical colleges within the Department of Education.

A fourth priority area is an important one and it is not necessarily a cost item. Congressional leadership is clearly needed in advocating for total quality improvement within the higher education system. Total quality improvement is a philosophical approach to operations strongly tied to the movement within business and industry and it emphasizes, recognizes and rewards cost-effectiveness and quality in service. Our experience at implementing quality improvement, total quality improvement at Western Wisconsin Technical College, indicates that the implementation costs tend to be in areas such as staff training, local system development, software costs and other short-term activities. Essentially the costs are short-term, but they do ultimately result in long-term benefits. For example, one of our specific goals is to reduce our—to improve our retention rate for students. The retention efforts, we believe, will clearly have a positive impact on completion rates and ultimately, coincidentally—not coincidentally—ultimately in reducing financial aid loan defaults as well.

The total quality improvement concept is one whose time clearly has come within the higher education system.

The provisions under FIPSE and TRIO and specifically Title III, will allow for this kind of emphasis. However, our recommendation is to establish total quality improvement as a funding priority criteria for FIPSE, TRIO programs and specifically Title III.

The final area is not specifically part of the reauthorization of the Higher Education Act, but it is clearly linked and I feel compelled to express our position on this area as well. Tax Code Section 127, the Employee Educational Assistance Act provides for tax exempt status for employer-provided tuition assistance for employees who continue their education. While allowing this tax exempt status may have a significant impact on the upcoming Federal budget, to remove this tax exempt status will clearly have a greater impact on our Nation's economy and on the education system as a whole.

Recently, WWTC conducted an employer survey, and of the 200 employers that responded, 152 responded that they do provide tuition reimbursement for their employees who continue their education or training. In addition, 122 or nearly 60 percent, provide release time from work to attend classes. And in addition, 45 percent of those companies purchased textbooks, and 50 percent will consider the training as a condition for salary increases.

Meanwhile, only 2 percent of the companies provide for other supports for training such as meals and mileage. The data indicates that the tax exempt status is integrally related to employer and employee sponsored training programs, and this benefit clearly is not a perquisite. Indeed, to remove this tax exempt status would have a—would seriously jeopardize this Nation's ability to effectively have the inducements to compete in a world economy, given today's world economic conditions.

Our recommendation is that the House Subcommittee on Postsecondary Education support the continuation of tax exempt status for Tax Code 127, the Employee Education Assistance area.

And so, in closing, I would like to thank this committee and again specifically Congressman Gunderson, for the opportunity to testify.

Thank you all.

[The prepared statement of Dr. Lee Rasch follows:]

TESTIMONY
REAUTHORIZATION OF HIGHER EDUCATION ACT
LEE RASCH, PRESIDENT
WESTERN WISCONSIN TECHNICAL COLLEGE
LA CROSSE, WISCONSIN
Friday, July 19, 1991

Western Wisconsin Technical College, like other public two-year colleges throughout the United States, has an active interest in the effective reauthorization of the federal Higher Education Act. While there are many aspects of the Higher Education Act itself, this position paper will focus on those elements deemed most critical for Western Wisconsin Technical College and public two-year colleges. These elements have been selected because they reflect the changing student demographics of the higher education system and the changing economic dynamics impacting this country.

At Western Wisconsin Technical College the average age of post-secondary students (not counting continuing education students) has increased from 26 ten years ago to an average age of 30. At the same time the number of students enrolled in basic skills education during that same period has also increased from 7.9% of the College's total enrollment ten years ago to 18.3% at the present. The number of single parents enrolled has increased significantly during that same period. At the same time, while full-time enrollments have remained relatively constant during the past decade, part-time enrollments have increased significantly. The result is that we have a new student population that has emerged in the last decade, a student population that finds itself coming back to school after

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being out of the education system for some time. These students are likely to be working, many are single parents, and typically they are enrolled as part-time students while holding down jobs or trying to meet other family obligations. Many are minorities or considered to be disadvantaged.

While we continue to serve what is called the traditional student population (those in the 18 to 23 age category), the returning adult part-time student population is growing at a faster rate. Two recent recognized reports, one entitled "America's Choice, High Skills or Low Wages" and the other "The Governor's Commission For A Quality Workforce", reinforce this profile in student demographics and recognize the challenges facing the higher education system within the next decade.

While student demographics are important, it is necessary to address the cost and funding issues as well. The higher education system has found itself placing an increased burden upon the student population to cover the costs of higher education. The costs of higher education have increased at rates that have exceeded, on the whole, the costs of many other goods and services in this country. And, while the reasons for these cost increases are many, the Higher Education Act, by design, should incorporate cost effectiveness and quality improvement concepts to maximize the effectiveness of higher education in its delivery and its return on investment.

The following represent five overall priority areas that we are recommending be considered for inclusion in the reauthorization of the Higher Education Act.

The first area of priority involves financial aid program funding. We do not recommend dramatic changes in the amounts available for students in Pell Grant funds. However, we do offer the following recommendations for improvements within the financial aid area:

CHILD CARE: At Western Wisconsin Technical College, approximately 32% of the students that receive Pell Grant funds are awarded a child care allowance. However, since the $1000 Child Care Allowance is added to the students' Pell Grant budget, these students actually only receive a maximum of $210 in additional Pell Grant monies per year. This provides little real assistance in covering child care costs for those students with the greatest need.

RECOMMENDATION: Revise the child care formula to increase the actual dollars received by students without penalty to the total student allocation.

UNTAXED INCOME: Currently financial aid affects an individual's eligibility for food stamps, Social Security Disability, Medicaid or welfare because it is considered personal income. Students receiving food stamps for instance, have their food stamps reduced proportionally by the amount of financial aid they receive. Many cannot continue in school because school actually competes with feeding their families; or else they may make loans that they cannot pay back. If financial aid were defined as a contribution to the education-related costs of going to school, it would not reduce other benefits for those who need them.

RECOMMENDATION: Define financial aid funds as education-related costs of going to school rather than as personal income.

LOAN DEFERMENTS: Currently, if students fall below half time status (but are still enrolled), they automatically go into repayment status for their loan. Furthermore, if students are enrolled on a half-time basis, they must borrow again in order to obtain a deferment for previously made loans. Both of these rules are detrimental to the borrower. The first discourages students from staying in school, the second encourages unnecessarily increasing debt load.

RECOMMENDATION: Remove the stipulation that currently enrolled students who are less than half-time go into loan repayment status, or be required to borrow again to regain a deferment status.

SIMPLIFICATION OF FORMS AND FORMULAS: One of the most frequently heard criticisms regarding federal financial aid involves the complexity of the formulas and the application forms. Clearly, these items are a barrier to students; particularly the returning adult students who face many obstacles and barriers in their decision to return to the classroom.

RECOMMENDATION: Simplify the funding formulas and the application forms to make them clearer and "user friendly" for students.

The second overall priority area involves the Ability to Benefit Rule of the Department of Education. This rule may close doors to many students that are fully capable of completing a program by removing the education program from its proper role in student assessment and advising.

RECOMMENDATION: While Congressional agreement has been reached regarding this rule, no further restrictions should be placed upon students in this area without adequate analysis on effectiveness of the new rule and proper school input.

In the third priority area, the identification of an assistant secretary for community, junior and technical colleges within the Department of Education is one that warrants consideration. Formalized communication lines between the national associations serving community and technical colleges, as well as the various state offices, would benefit from having a designated liaison. Such a designation would encourage face-to-face meetings in order to help open communication lines, and ultimately lead to a better understanding and representation in the development of policy and procedures through the Department of Education.

RECOMMENDATION: Establish the office of Assistant Secretary for Community, Junior and Technical Colleges in the Department of Education.

The fourth priority area is not necessarily a cost item. Congressional leadership advocating for total quality improvement within the higher education system is critically needed in order to shift our system away from some of the traditional and costly routes in budget management and program development. Total quality improvement is a philosophical approach to operations, strongly tied to the movement within business and industry, that emphasizes, recognizes and rewards cost effectiveness and quality in service. Our experience in implementing total quality improvement at Western Wisconsin Technical College indicates that the implementation costs are in areas such as staff training, local system development, software modification, and other similar areas. Essentially the costs are short-term (one to three years), and we fully anticipate that they will produce long term increased cost effectiveness overall. For example, one of our specific goals is to improve the retention of students. These retention efforts clearly will have a positive impact on completion rates and ultimately in reducing financial aid loan defaults as well. Total quality improvement indeed is a concept whose time has come within higher education.

The provisions under the TRIO programs, and Title III specifically, will allow for this kind of quality improvement emphasis in the application proposal. However, we should recognize that an effort to promote a quality improvement philosophy requires establishing this concept as a funding priority criteria as well.

> RECOMMENDATION: To establish total quality improvement as a funding priority criteria for TRIO programs, and specifically Title III.

The final area is not specifically part of the reauthorization, but is clearly linked in terms of overall impact. Tax Code Section 127, Employee Educational Assistance provides tax exempt status for employer provided tuition assistance for employees who continue their education. While allowing this tax exempt status to continue may indeed result in a sizable revenue loss for the upcoming federal budget, the cost impact on the skills and productivity of the workforce in this country will be even greater. Recently, Western Wisconsin Technical College completed a survey of area companies regarding training. Of the 204 responders, 152 responded that they do provide tuition reimbursement for their employees who pursue continuing education and training. In addition 122, or nearly 60%, provide release time from work to attend classes.

In addition, 45% of the companies purchased textbooks, and 50% of the companies consider the training for salary increases. Meanwhile, only

2% of the companies provide other supports for training such as meals and mileage. The data, as reported, clearly indicate the integral nature of this benefit to employees. This benefit is not a perquisite. Indeed, to remove this tax exempt status may jeopardize this country's ability to make the necessary investment in the upgrading of skills of today's workforce, in order to effectively compete in a world economy.

RECOMMENDATION: That the House Subcommittee on Post-Secondary Education go on record as supporting the continuation of the tax exempt status of Tax Code 127, Employee Educational Assistance.

In closing, I wish to thank the House Subcommittee for this opportunity to share these points for consideration in the reauthorization of the Higher Education Act. If any additional clarification is needed on any of these points, I will be most willing to assist.

Mr. Sawyer. Thank you all. I am going to defer my questions to my colleagues. Mr. Goodling.

Mr. Goodling. Just one remark. Dr. York, you were thanking us for allowing the voc-tech group, et cetera, to testify. We consider them equally as important as all those you heard prior to your testimony because we realize that if we are going to survive in this highly competitive world, we cannot afford to lose anyone. And we realize that we ask you folks to educate the most difficult to educate and yet we positively must make sure they are educated and trained.

I did just want to say that your last name is certainly an outstanding name. I am from York, Pennsylvania.

[Laughter.]

Mr. Goodling. York is the first capitol of the world—of the United States, in case anybody did not know that—first capitol of the United States because the Articles of Confederation were signed there, as the government was moving. I wanted to give you that history lesson today, in case you thought it was somewhere in Wisconsin.

[Laughter.]

Mr. Sawyer. Mr. Petri.

Mr. Petri. Thank you. I would like to thank you all for your testimony as well, and especially yours, Dwight. I thought it was a model of specificity and good recommendations and I think we all learned something from it. Maybe a few of these ideas will actually work their way into law before we are done. The idea of refining the way we measure defaults in terms of amounts as well as numbers certainly makes a big difference to proprietary and vocational schools, so as to really be comparing dollars and dollars instead of just numbers of students, which are reflecting small amounts of dollars. That is something that we are not really focused on, I do not think, in Washington, and we really should be. So I really appreciate that.

I wish I could visit your school this afternoon, Mr. Herzing, but maybe another——

Mr. Herzing. We hope at another time you will have an opportunity. We just moved into new facilities so we are even more proud to show them off.

Mr. Petri. One other comment. In Wisconsin we are very proud of our vocational education system, and some years ago when the Job Training Partnership Act, which is basically a pretty good piece of legislation, went through I fought unsuccessfully to give States the option of running that whole program through their vocational system. And I think many States do not have what we have in Wisconsin, which really has existed for 70 years and is what the Job Training Partnership Act tried to accomplish, a vocational system statewide, run by local boards made up of local employers, union, agriculture and community leaders, with additional resources through that system to educate the hard to educate and second and third chance individuals. It probably would have enabled us to focus resources even better. As it is, I think probably half the time you guys end up actually doing the education on contract with the Job Training Partnership Act, but that represents a little bit of a dilution of resources rather than concentration of resources in our own State of Wisconsin. Maybe some day, somewhere along the way, we will be able to correct that, but once these forms get established, they are hard to overcome when they develop inertia, so we missed an opportunity.

Mr. **Herzing**. Well I appreciate that, Congressman Petri, and I would just say to you that the good news in Wisconsin is that when Governor Thompson saw these different things, he asked that question, if we could do that and then he actually mandated all of us to make sure that we are working very closely together. And the last few years, our relationship has been just excellent and I think the program is working well and your points are correct, but every State of course is unique, but we are making it work by just absolutely being demanded from the Governor that we cooperate and do things together and we are not out at cross purposes. So it seems to be working fairly well.

Mr. **Petri**. One short question and that was inspired by your comment, Mr. Herzing, that you feel in your part of vocational education, costs have not increased faster than the general consumer price index over the last few years while they have in other parts of the education community. You must look at other people's budgets as a businessman and compare them with your own. Why do you think that disparity exists? Are there some things we could be doing that would help bring the increase in education costs more into line with other costs?

Mr. **Herzing**. Well it is really difficult to comment on what can be done in other areas. I can just say that the pressure that we face as private institutions are, for instance—I could not help but think after the early testimony about how we need money from the Federal Government and other sources to build resources; my comment to come over and visit our new facility, which was created at no cost to any taxpayer; and we are not asking for any grants or even a tax rebate. We pay taxes on that real estate on top of it.

My guess is that there is ongoing pressure all the time from us to examine all our expenses and we count from the standpoint of what we can afford and what is the most efficient way to do it, rather than what we would like to have and who is going to pay for it. Because a student starts out—unfortunately we have some very good competitors here who are giving it away, so it gets me up early in the morning. And I hope we do likewise for them, but I think that is one of the things that we just have to realize, that people come to us already paying the full cost and we just cannot afford to have—we do not have the endowments that a lot of private institutions have, and other sources of funds, so we just have to be that much tighter in running it.

Mr. **Sawyer**. Mr. Gunderson.

Mr. **Gunderson**. Mr. Chairman, in the interest of time, I am going to give two quick assignments. Mr. York, tell me why in the future—not today, you can send me your thoughts as to why we ought to eliminate the campus based programs. I was struck by that in your testimony.

Lee, give us some more information on a positive side regarding your quality improvement efforts, number one, and number two, your concerns about loans evolving into repayment status. I thought those were both good points.

I am going to take the assignment of convincing you to establishing an office of assistant secretary for community, junior and technical colleges is not a good idea. So I need to give myself an assignment.

Thank you.

Mr. **SAWYER**. Mr. Klug.

Mr. **KLUG**. I just want to express thanks to the last panel. One of my duties as host is to make sure that everybody gets to the airport in time.

[Laughter.]

Mr. **KLUG**. There are two people who need to get going very quickly, so I appreciate everybody's attention and insight and thoughtfulness today and am sure that we will talk to each other further.

Mr. **SAWYER**. Let me just say before we break, on behalf of Chairman Ford, how much we appreciate the quality of this particular hearing. The testimony that has been assembled, the preparation that has gone into it is a genuine contribution to the ongoing effort that we have all undertaken. It is a real testament to the quality of effort that the three gentlemen from Wisconsin have put into this. Everyone here has ample reason to be proud of all of that.

Thank you all very much. If there is no further business to come before us, we stand adjourned.

[Whereupon, at 12:30 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

United Council
of UW Student Governments, Inc
Room 203 • 8 W Mifflin St • Madison, WI 53703 • (608)263-3422

Testimony on the Reauthorization of the Higher Education Act

Jennifer Smith, United Council

July 19, 1991

I would like to thank Representatives Klug, Petri and Gunderson for the opportunity to submit testimony for this hearing on the Reauthorization of the Higher Education Act of 1965

In my position with United Council (Women s Issues Director), as well as my undergraduate career at the UW-Stevens Point and work there as Student Government Women s Issues Director, one of the recurring and most insurmountable problems I have had to work with is the issue of welfare recipients and higher education. As I m sure you know, a majority of welfare recipients in Wisconsin, as well as nationally, are women with children, usually single parents. Unfortunately, the process of reentering the higher education system is generally slanted against this population, curbing their chance at an education and thus, lessening their chances to get off the welfare roll permanently

United Council, in conjunction with the United States Student Association (U.S.S.A.), has set as one of its priorities the simplification of the process of applying for financial aids as one method towards encouraging this population s participation in higher education. Many students who are receiving some form of welfare (as well as students who are either first generation students or students from an educationally underprivileged background) often find the process of applying for aids overwhelming, confusing and discouraging. Many times, the complicated process itself can dishearten and deter students from completing the required forms, thus ending their college career before it begins. We see the implementation of a one student-one form system of aids application as being a feasible alternative to the confusion of the present application process

Another factor to consider in the one student-one form alternative is the cost of the application process itself. The cost of filling out federal financial aids forms is $35.00 per student. For a single welfare parent, this is a large portion of their monthly budget, this could mean the difference between a weeks worth of food, a winter coat for their child.

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transportation on the bus to work for a month, or approximately four to six hours of childcare, and this does not take into account the costs of filing for state financial aid. A simplification of the application process would acknowledge the fact that if a student applying for aid is currently receiving welfare assistance, their income is sufficiently low enough to qualify for aid.

We feel that a system of one student-one form financial aids application process would not only help to curb the discouraging and often frightening application process for students, but would also save time and money for both students and state and federal financial aids processing agencies.

In conjunction with a simplification of the aids application process, we would like to stress the importance of early intervention counseling programs (e.g., TRIO) and Senator Kohl's S.C.A.N. ("Be All You Can Be") bill. These early intervention programs can help to displace the confusion of the aids application process for students entering college, and have repeatedly shown their effectiveness in recruiting qualified students into higher education.

Senator Kohl's S.C.A.N. bill is also a crucial factor in recruiting students into higher education. The fact that more students know the words to the Army's "Be all you can be" advertisement than know the 1-800 hotline number for financial aids counseling is a painful commentary on today's financial aids situation. More than ever, academically qualified students are forced, in this increasingly hostile economic climate, to subvert their educations for a career in the military, and while this may be a noble pursuit, it speaks ill of our commitment to education and to the future generations of our nation.

These, of course, are only small samplings of the changes and programs we feel are crucial for students through this Reauthorization process. It is our hope that these few, simple points can be constructively addressed and rectified to enable qualified students to pursue their educational goals.

Testimony on the Reauthorization of the Higher Education Act

Elliott M. Madison
July 19, 1991

I feel it is important for me to submit this written testimony for your consideration. The Reauthorization of the 1965 Higher Education Act is of utmost importance to all Wisconsin students. This is especially true for those students who have come from "middle-class" backgrounds. In 1965, the HEA was implemented to help a great many students. The emphasis, however, was on aiding students from middle class backgrounds, a quarter of a century has since passed and this goal is even more important in the nineties.

I would like to draw upon my personal experience (I graduated from UW-Stevens Point and currently a Master's Candidate at UW-Madison) and the experiences of many students I have been associated with to over the past three years as a student advocate. I am deeply concerned about the educational future of the sons and daughters of middle-class parents.

I need not go in to the more highlighted difficulties of the current financial aid system like the alarming trend of more loans to grants, needless complications of the system,etc. I would like to address one area in particular I am very concerned about, that is the trend of reclassifying middle class status lower and lower which is limiting avenues open to middle class students wishing to pursue their higher education. In 1965, the top end of middle class status was $50,000 a year per family. In 1966, it was lowered to $30,000. This along with increasing tuition for each year since 1986 has economically locked the University doors to many middle-class students.

I have personally known many students from middle class backgrounds who have either dropped out of college or never were able to enter simply because they could not receive entitlement for the Stafford Loans (previously GSL).

This does not seem to be simply a problem with my peers or the students of Wisconsin. In a recent Washington Post article, it stated that men and women from middle class backgrounds are making up more and more of new military recruits especially in the late 1980's. I to know many friends and relatives who have had little choice but to join the military services in order to afford going to college. Though there is nothing wrong with participating in military services in order to pay for college, there is something wrong when this is the only avenue to higher education available to qualified students who wish to further their education.

It is my sincere hope that during this reauthorization process that the needs of the middle class will be met in a responsible way without endangering the programs set up to help other groups.

I feel that the income criteria for entitlement to Stafford loans must be seriously questioned. I am optimistic that with your input that this dangerous trend will be reversed and the middle class status and entitlement will more closely reflect the original 1965 classification and include other important aspects like inflation and rising costs of education. Hopefully this will open the locked doors of the university and allow the middle class access to our fine higher education system.

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Madison, WI 53703

July 18, 1991

The Honorable Representative Scott Klug
United States House of Congress

Dear Representative Klug:

I have been afforded an incredible "advantage" in my life- I am a white, middle class, 22 year old young woman, with a strong work ethic, and most of all, this August I will graduate with a bachelor's degree from the University of Wisconsin-Madison in under 5 years. "Advantaged" because when I visit my upper-middle class hometown of Waunakee, Wisconsin - deeply rooted in the heart of the 2nd CD - I see my peers, the sons and daughters of hard working taxpayers, denied the opportunity to get the education they deserve.

Education is the fundamental solution to nearly every social ill. Limiting access to education either through putting caps on enrollment, increasing tuition costs, or by squeezing middle income students out of obtaining financial aid, diminishes the positive returns our society guarantees its people.

At this moment, my bank account is overdrawn, I'm working over 40 hours a week, I'm taking 7 credits, and I eat inexpensive, bland ramen noodles for dinner daily. I am denied financial aid - both grants and loans - because my parents still claim me on their taxes since they have made substantial sacrifices to help me through school in the past. The sacrifices my parents have made have regrettably put an extreme amount of strain on the lives of my two teen-age sisters.

Lawmakers who sit by and watch our society fall apart are committing an unforgivable atrocity. As a member of the Madison City Council, I have been volunteering my time to help kids stay in school - it's up to you to help them obtain a higher education once they've graduated from high school. Everyone deserves the opportunities I have had - hopefully with fewer sacrifices.

With hope,

Christine K. Larson
Madison City Council
Eighth District

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Amy Friedman
141 W. Gilman, Apt F
Madison, WI 53703

July 18, 1991

Dear Representative Klug,

The financial aid system is such a tangled web of bureaucracy for students today that it is almost incomprehensible. Coupled with the rising cost of tuition and books higher education is fast becoming a privilege for the elite. Information about possibilities for financial aid is almost non - existent and the system is unbending. If a person does not fit qualifications A -Z exactly, they have no chance to receive aid. There is little to no flexibility for special situations, and the quest for help and answers to questions is one dead end after another.

I feel that my current situation uniquely qualifies me for financial aid, but I am consistently met with resistance everywhere I go. I left an abusive family about 9 months ago and was left with almost no money, no resources, and no support system, with the exception of a few good friends, and no financial aid opportunities because my father refuses to claim me an independent(even though I pay all my own expenses). Instead of finding help and encouragement from the financial aid system, I was faced with long lines and questions that never seemed to get answered . When my questions were answered the answers were inconsistent and I found myself running in circles. It was a never ending battle. Frustrated with the system I tried to get bank loans. That was also impossible as I had no collateral and no co - signer. I have now been forced to work over 50 hours a week to be able to afford a part - time education and my school work and health has suffered. I was once an excellent student dedicated to academic success and the university community. Now I often find myself drained of energy barely getting by. Some may ask why I didn't take time off of school to work. The answer is simple. I am committed to my education and no job I could get without a degree would be able to allow me to save enough money to return to school in any reasonable amount of time. I will continue to work and go to school. Hopefully sometime in the near future the system will take special situations into account and I will be able to afford school through grants, loans, or work study or perhaps I will win my fight for independence from my family. For now I ask you to please listen to my testimony and others like mine. Help students to be able to afford an education. Help us find the answers to our questions, don't send us down dead end paths. Consider the fact that we are hard working intelligent people, not just student ID numbers. Hear our needs and help us to help ourselves and our country by getting an education. Change the laws and help to make education a right not a privilege of the elite.

Sincerely,

WSA

WISCONSIN STUDENT ASSOCIATION

July 18, 1991

Dear Congressmen Klug, Petri, and Gunderson:

First let me thank you for your efforts to secure this hearing in Madison, and for the opportunity to address you at this meeting. As a student at the University of Wisconsin--Madison for four years I have some insight that you may wish to hear. Let me begin by saying that I have been lucky enough to receive aid for my four years at this institution. I am very thankful for this, as I know that there would have been little or no chance of my attending had I been forced to pay tuition on my own. I lived with my mother, who was raising us by herself, and we barely had enough to survive. Higher education was definitely not an option. But, by chance I heard about financial aid, applied skeptically, received Pell Grants, etc., and here I am. I have a 3.9 GPA, am an honors student in history, and am active in student government. I really can't imagine what my life would be like had I not been given the chance to attend this college. I urge you to continue to make the great gift of education accessible to all.

But let me add something further. Many, many times during my stay at the UW I have run into people who are amazed that I receive financial aid which pays for my tuition and housing. I feel a little guilty when I find that the only reason they are forced to work continuously through school *and* to go into debt is because their parents make a little too much money for them to receive any aid. Of course, their parents don't earn enough money to put them through college, or even to help, but because of the way that eligibility is set up, they don't qualify. I know of a friend who worked with me at the Wisconsin Student Association last year as Affirmative Action Director. He was a strong advocate for student rights and worked diligently to improve the status of people of color at the university. But, in early February of 1991, in the midst of a big project for the WSA and during all his classes he was informed that his parents' income had surpassed the eligibility mark and therefore he would not be able to receive aid for that year. My friend was crushed at the prospect of having to drop out of school for one or maybe two years in order to save up the money to return. And though on paper his parents assets seemed modest (above poverty level), in reality there was no way that they could have paid the tuition here for more than a semester. It was a sad day when we lost a great co-worker, student leader, and friend.

I know first-hand the beauty of learning. My experiences here have been the most important and rewarding of my life. If current trends in financial aid continue, my story will be a rare and forgotten one. Do the right thing.

Sincerely,

Chad Gracia
WSA Director of Communications & Marketing

Lilach Goren • Ronnie Vargas [illegible] Adam Young [illegible]
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Thank you Representative Klug for giving me the opportunity to provide you with my testimony regarding the Reauthorization of the Higher Education Act. My name is Victor De Jesús and I am currently a board member of the Puerto Rican student union at the University of Wisconsin-Madison, Unión Puertorriqueña. Specifically, the grant to loan balance really concerns me as a student. Back when I was a freshman, my Financial Aid package included just one Stafford loan, but I had the alternative of choosing College Work Study (CWS), which I did. As I am now entering my fourth year here at the University of Wisconsin-Madison, I already face a $6,000 debt to the government. I have worked ever since I started my education, and now my fear is that once I finish my education, I will not be able to pay back the money I owe. My mother has been extremely supportive of me, but she can not afford the education I am pursuing. Many of my fellow students who are members of Unión Puertorriqueña also face the same struggle that I do. I have seen many of my friends end their college career because of the lack of adequate Financial Aid packages. The funny thing is that neither I nor most of my friends have finished our education, and already we have a major responsibility or rather a major debt! A little ironic, isn't it?

I believe that students should be able to go to school without having to worry about owing ridiculous amounts of money to the government once they finish their education. Therefore I strongly emphasize to you the need for more Pell Grants under the new Higher Education Act. More grants means more students, and more students means more educated people. You choose! I strongly believe that making Pell Grants an entitlement to every student in need of it will assure access to Higher Education institutions to thousands of High School graduates who are eager to start a college education, but lack the resources that will enable them to go to college. Second, I would like you to support Senator Kohl's bill S.501 in Congress, which will make college opportunities for High School students more visible and appealing. Remember, we as students are becoming more aware of the needs we have, and also of the people who help us. Supporting us means supporting a better nation in the near future.

Thank you.

Victor R. De Jesus

107 Kingston Way
Waunakee, WI 53597
July 16, 1991

U.S. Representative
Scott Klug
And
Mr. John Annelli
Legislative Director

Representative Klug:

Thank you for allowing me the opportunity to voice my concerns about the struggles involved in obtaining the goals of higher education for my children. My wife and I have been blessed with three healthy, intelligent daughters. Our oldest daughter, Christine, is currently finishing her last few credits for graduation from the University of Wisconsin, Madison and is a newly elected member of the Madison City Council. Her efforts in reaching both of those goals will always leave us amazed and proud. The other two daughters Autumn and Tamara, ages 13 and 11 respectively, are both looking forward to college educations after high school.

The economic challenges for gaining access to the institutions of higher learning are overwhelming for middle income families like mine and many thousands more throughout America. We seem to be caught between the proverbial and real "rock and a hard place". And yes, I know you've heard that same line a million times but unfortunately it's true and it's time to make an honest effort to change things. Lower income groups have access, and rightfully so, to financial aids such as grants or low cost loans. Higher income groups, predictably so, have the necessary private funds to pay for higher education. So what's left for those in the middle? At this point the only options are savings and family sacrifices.

Saving, as you must be well aware, in this day and age of high cost everything, is nearly impossible. Prior to my current bout with unemployment we were able to save enough to finance only fifty percent of Christine's college costs. The remaining fifty percent was paid for by Christine through several part-time jobs. The real scary part about saving is the future. With two more children headed to college and the unbelievable rising costs of higher education will we be able to save enough to allow them the advantages that a college education will provide?

Hand-in-hand with saving is family sacrifice. How many times will we be forced to give up a simple family outing or not purchase that badly wanted new school dress? The biggest worry about saving and sacrifice comes from getting ever closer to retirement. I suppose we can put our kids through college and

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let them carry the additional burden of 'looking after' their elderly parents. Somehow, that burden doesn't quite fit the advantages of higher education.

Even the so called advantages of higher education are being drastically reduced. In the past, attendance at a university meant a well-rounded education. However, today we see cut backs on campuses throughout the United States. Everything from increased class sizes to reduced curriculum and of course the elimination of many extracurricular activities have been used to fight the never ending battle of the college budget. University administrators can not fight the battle alone, they must be joined by the elected officials in the State and Federal governments.

It doesn't take a 'college graduate' to realize that there are no easy answers. However, only four key ingredients are needed to overcome the difficulties within our higher educational system; money, priorities, management and determination. Simply stated, the money is available. The challenge is to change the priorities for the use of that money. I strongly believe, as do millions of other citizens, that education must be the highest priority in America today, it is our only chance to remain a significant force in the world community. Once we've changed our priorities, we must intelligently manage the available monies. It is essential that that management include reducing the burden on middle income families. Broadening the scope of financial aid in terms of increased access to government funded grants and loans must be demanded immediately. Finally, it will take a great deal of determination by our elected officials to accomplish these lofty but urgently important goals.

Once again, Representative Klug, I sincerely appreciate the chance you've given me to voice my concerns about some of the difficulties involving our higher educational system. I can only hope that my thoughts will be enlightening and that you will pass them on to other members of Congress aggressively pursuing educational reform. Only with the combined participation of ordinary citizens, university administrators, and elected officials will the American people be afforded the equal opportunity they deserve to attend the University of their choice. Higher education can not be a privilege for the few, it must be regarded as a right available to all those citizens wishing to advance themselves.

Sincere thanks,

Larry Larson

Larry Larson

WISCONSIN STUDENT ASSOCIATION

WSA

Testimony for Reauthorization of the Higher Education Act of 1965
House Education and Labor Committee
Hearing held in Madison, Wisconsin
19 July 1991

We, as representatives of the Wisconsin Student Association, would like to take this opportunity to thank the members of the House Education and Labor Committee for your consideration of our testimony regarding the reauthorization of the Higher Education Act of 1965. In particular, we would like to applaud the efforts of Congressmen Gunderson, Klug, and Petri in bringing this important hearing to Madison.

Few pieces of legislation have had as significant and lasting an impact on students as the Higher Education Act of 1965. The current reauthorization of this act will affect nearly every single one of the 43,000 students on the University of Wisconsin - Madison campus. Likewise, this reauthorization will impact countless thousands of current and prospective students across the country. In short, your efforts can either insure the maintenance of an unsatisfactory status quo or be a mighty step in providing a quality education to every qualified student in America. It is with this in mind that we today ask you to consider our concerns about the reauthorization of the Higher Education Act of 1965.

Our concerns are not limited to the following three items. However, the grant to loan balance the needs of middle income students, and problems with the of working students with the unfair guidelines for achieving independent status are the three points that we feel most strongly about.

Under the original HEA, grants were the primary source of financial aid. Recent trends have overwhelmingly reduced grants in proportion to student loan programs. This has forced universities to make up for the federal grant shortfalls by funding their own grants. This development has contributed to the skyrocketing tuition that is putting the costs of higher education out of reach for more and more students.

The WSA endorses making Pell Grants an entitlement to help rebalance the grant to loan ratio. Rather than discouraging students unsure of their financial status, a Pell Grant entitlement would guarantee at least a minimum amount of federal aid to all qualified students and provide incentive for them to earn the rest of the necessary money to finance an education.

When the HEA was first enacted in 1965, its intent was to make education accessible to low income students. Students from middle and higher income families could afford the burden of the costs of a university education. Tuition and other student expenses have now spiraled out of reach of the largest income segment in America, the middle class. Because federal aid has failed to increase at the same rate as education costs, a larger percentage of the limited federal money is allocated to low income students, leaving equally deserving middle income students shut out. Providing financial aid for the poor is important. So is providing financial aid for the middle class. Even a student from a family earning $30,000 - 40,000 per year increasingly cannot afford the cost of education today. University enrollment among middle income students is falling. We need to act now before a university education is totally inaccessible to these students.

Simply, the eligibility of middle income students for Pell Grants and other federal aid must be expanded. There are too many students who neither receive financial aid nor can afford to go to college without help. Middle income students should be responsible for meeting some of the challenge of providing money for their educations. But as tuition increases, more students who do meet this challenge are being denied the opportunity of higher education. Show your commitment to them by providing more money for these deserving applicants.

Kim Sholly, formerly a Student Services Specialist in the Financial Aids office at the University of Wisconsin - Madison, shared with us her concerns regarding the problems working students face. Based on her experience, the complex guidelines for attaining independent status are the major obstacles placed before students who must fund their own educations. Many students who do not meet the four criteria for independent status are, in reality, financially independent of their their parents. However, the current law mandates that students earn at least $4,000 per year for two consecutive years prior to receiving financial aid. Thus, many students wishing to enroll immediately after high school graduation are put in the position of having neither parental support nor the advantage of independent status in applying for financial aid. This penalizes the students who most desire and deserve an education: those students who are willing to work their way through school. Students in the College Work Study program are typically in this situation. Please remove these additional burdens from working students who already face an uphill struggle in their quest for higher education.

Once again, thank you for your consideration of our testimony. We, as students with a vital stake in the reauthorization process, hope that you will seriously consider our recommendations. Please accept our hearty gratitude for holding this hearing in Madison.

Ronnie Vargas	Lilach Goren	Jon Van Horn	Aliza Rieger
Ronnie Vargas			Aliza Rieger
Co - President	Co - President	Lobbyist	Academic Affairs Director

TO: HON. MEMBERS OF THE HOUSE EDUCATION AND LABOR COMMITTEE

FROM: DENISE PETERSON
ACADEMIC AFFAIRS DIRECTOR, UW-OSHKOSH Denise Peterson

DATE: JULY 14, 1991

RE: REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

There is a proud tradition in the United States of equality of opportunity for all citizens, but that tradition is at risk. Over the past 10-15 years a dangerous trend has emerged which denies poor and lower middle-income students the opportunity to pursue higher education. As the representatives of the people you have the power to reverse this trend, to increase the availability of grants and loans and to provide equal access to education for all citizens.

GRANTS: From 1980 to 1986 the proportion of low and low-middle income freshmen receiving Pell Grants dropped 15%-20%, and other forms of grants also declined. Grants are a critical factor in providing access to higher education for the poorest sector of our society. There has been a marked drop in enrollment of students from the lower income levels, which has also meant a decline in minority enrollment. If we are to provide equality of opportunity and to prevent the creation of a permanent underclass we must provide more grants and these grants must keep pace with actual student costs.

LOANS: Too many middle-income students are unable to obtain loans. Policies which include non-liquid assets in determining eligibility, which fail to take into account actual expenses for students and contributing parents and which are unduly restrictive prevent a significant number of students from entering or completing college. Many other students feel compelled to omit information from loan applications because they need the loans but will not qualify if they are honest. In effect, the restrictions on student loans penalize students who tell the truth. Loans need to be easier to obtain and additional loan programs such as Rep. Petri's IDEA bill should be available to provide students with more options.

NEEDS ANALYSIS: Students who are working or who receive some form of federal aid such as Medicaid or AFDC should not have their aids or loan amounts reduced. We should be encouraging people to pursue higher education, not discouraging them.

DEFAULTS: The level of student loan defaults is certainly an area of great concern. I understand that the Permanent Subcommittee on Investigations has released an interesting report on this subject which reflects that a disproportionate number of defaults are on loans for private technical/training institutions, or so-called "propriatary schools." Hopefully a

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review of the causes for defaults and the types of institutions where these defaults are likely to occur will allow for a change in regulations which will reduce the number of defaults without penalizing students.

I am an older, non-traditional student with the good fortune not to require financial assistance. Many of my classmates at the University of Wisconsin at Oshkosh are not as lucky and they are depending on you to provide the grants and loans which will allow them to pursue their dreams of a college education. There are women my age struggling to finish school and care for their children without benefit of child support; there are students in their mid-twenties who are taking six or seven years to earn a degree because they don't qualify for grants and loans and need to work full time; there are students who lied on the loan applications who are working because they couldn't survive without the additional income and they would be penalized for working if they told the truth. Many of these students live on the edge and some of them fall off - dropping out because they are too exhausted to go on or cannot find the money.

If our nation is to remain competitive in the world market we must invest in education. The governments of Germany and Japan work to create a highly educated populace and here in the U.S. we are sending fewer and fewer low-income students to college. We may be saving money on grants and loans today, but we will pay the price tomorrow.

If our nation is to live up to the ideals on which it was founded, if we are to be an example to other nations, we cannot afford to abandon our goals of equality for all our citizens. Equal opportunities require equal education, so when you vote please remember the students and do what you can to make higher education accessible to all Americans.

United Council
of UW Student Governments, Inc.
Room 203 • 8 W Mifflin St • Madison, WI 53703 • (608)263-3422

Statement of
UNITED COUNCIL OF UW STUDENT GOVERNMENTS, INC.

before the
Wisconsin Representatives on the
House Subcommittee on Postsecondary Education

on
Reauthorization of the Higher Education Act

July 19, 1991

Karla Handel
Academic Affairs Director
United Council

United Council of UW Student Governments, the oldest and largest state student association representing over 140,000 students in the UW system and Marquette University, would like to take the opportunity this morning to outline and identify to Representatives Gunderson, Klug and Petri the legislation we feel is most important to include in the Reauthorization process of 1991-92. We feel that of utmost importance are: the inclusion of a direct loan program; enactment of Representative Sawyer's "Student Counseling and Assistance Network Act of 1991" (H.R. 1524), and enactment of Representative Williams' "Middle Income Student Assistance Act of 1991" (H.R. 2561).

The 1980's were marked by an atrocious imbalance of the grant to loan ratio. In 1975-76, grants equaled 80% of federal financial aid, whereas loans equaled 17% of federal financial aid. In 1989-90, however, grants only equaled 49% of federal financial aid and the amount of loans nearly tripled to equal 48% of federal financial aid. While United Council members and United States Student Association seek to restore the proper balance between grants and loans, we realize that it is necessary for new resources to be allocated. In addition, we think that it is possible for savings to be made in the already existing programs. The American Council on Education's recommendation for a direct loan program comes at a time when a savings in current loan programs is one option that could make possible an increase in allocations for the Pell Grant program.

Credit reform has made direct loans a less costly way to deliver loan assistance to students. Savings in the first year alone have been estimated to be greater than one billion dollars. Therefore, in concert with the American Council on Education, United Council and the United States Student Association feel that the proper administration of a direct loan program could result in the federal government making a savings in the Guaranteed Student Loan program. As a result, we feel that the savings developed through the direct loan program should be directly funneled into the Pell Grant program.

United Council members, in conjunction with the United States Student Association, would like to express full support for the "Student Counseling and Assistance Network Act of 1991" or SCAN Bill. The SCAN bill, which would operate under the premise similar to the "Be All That You Can Be" campaign orchestrated by the Department of Defense, would provide resources and information to students across the nation explaining the importance of higher education and providing them with information necessary in obtaining this education. The SCAN bill would be instrumental in reaching out to Wisconsin students since our state has many rural communities and isolated areas that are not receiving the necessary resources. The SCAN bill's three part program of: 1) administering a publicity campaign regarding higher education; 2) training high school counselors; and 3) setting up a computer network system is necessary in making higher education the priority it should be in this country.

Presently, the Department of Education has virtually no budget allocation for recruitment and advertising. The publicity campaign proposed in the SCAN bill would be instrumental in alerting young people in Wisconsin and the entire nation of educational opportunities and advantages. The media campaign would be effective in reaching young people whose community resources are inappropriate or nonexistent. In particular, United Council views this bill as directly affecting inner city and rural areas, both of which are areas that need to be targeted in Wisconsin to encourage high school and middle school students to attend institutions of higher education.

- The SCAN bill's portion pertaining to the training of high school counselors is also appropriate to add to the Higher Education Act since many high school counselors lack experience and knowledge in aiding and encouraging students to attend colleges and universities. Presently many high school counselors, specifically in rural areas, lack experience in dealing with the financial aid process. Clearly, there should be assistance for high school counselors regarding student aid. The Department of Education provided such training for high school counselors in the 1970's, while today the financial aid process is even more difficult, high school counselors are no longer eligible for such training.

The SCAN bill's portion dealing with a computer network system is vital in enabling public access to informational resources. A study conducted by the Wisconsin Assessment Center in 1986 showed that 53% of students in the University of Wisconsin system rated their knowledge on financial aid as inadequate. In addition, the General Accounting Office's report Gaps in Parents' and Students' Knowledge of School Costs and Federal Aid indicated that students and parents generally lacked adequate information regarding federal financial aid and quoted a 1980 national study that found that only 12% of all high school sophomores knew that Pell Grants were available and only 8% knew Stafford Loans were available. The study also indicated that those with prior knowledge of financial aid were more likely to enroll in institutions of higher education that those who did not.

Finally, United Council members, together with the United States Student Association, would like to express our support for the Middle Income Student Assistance Act introduced by Representative Williams. This bill would extend the federal student aid programs to middle income income and working class families that have been denied access to the federal financial aid programs. Middle income students represent a significant portion of the population that have experienced unfunded need. The "Middle Income Student Assistance Act" would remedy the problem of the disenfranchised middle income student by: 1) increasing access to Stafford Loans; 2) would increase the pell grant maximum, and 3) would eliminate home equity and the value of a family farm from the need analysis process.

Representative Williams has recommended that the Stafford Loan be eligible to all college students. When the Guaranteed Student Loan program was created in 1965, it was intended to serve the needs of middle income families. Low incomes families were to be served by the Perkins Loan program and grant programs. Yet, since that time, middle income students have been squeezed out of the financial aid process. Their eligibility has been taken away due to lack of resources given to the financial aid programs; the limited resources that do exist stretch only far enough to help low income families. United Council members feel that it is necessary to increase the resources and eligibility of the Guaranteed Student Loan Program in order to ensure that middle income students are assisted in paying for the costs of college as the original Higher Education Act of 1965 intended.

United Council members are in full support of increasing the pell grant maximum, as suggested in Representative William's bill. Today, a pell grant award covers less than 25% of the average cost of attending an institution of higher education compared to ten years ago when the average pell grant award covered 50% of the costs. By increasing the maximum award, this would also ensure that the neediest students would not have to borrow money and would also increase the access of middle income students for financial aid assistance.

The third point of the "Middle Income Student Assistance Act", treatment of nonliquid assets, would have a major impact on Wisconsin residents since many University of Wisconsin students are from rural communities and are barred access to financial aid due to the value of the family farm. United Council and its members are in full support of this measure to remove the value of the home and family farm in order to continue our work in increasing accessibility to higher education to all Wisconsin residents.

In considering the "Middle Income Student Assistance Act of 1991", it is evident that new resources will have to be obtained in order to meet the standards established by the bill. We are hopeful that the middle income students will benefit from the Reauthorization of the Higher Education Act of 1965. At the same time, we ask that you do not endanger the programs already existing for low income families in order to fund programs for middle income families.

In closing, United Council would like state that the three previously mentioned points our only a few of the changes that we would like to see take place during this Reauthorization process. The enactment of a direct loan program would offer many benefits to students, perhaps the largest benefit of a direct loan program being that of making a savings in the Guaranteed Student Loan program and in return recycling this savings back into the Pell Grant program. Implementing the "Student Assistance Network Act" is crucial for our country at this point when studies indicate that most students and parents are not aware of financial aid opportunities. Finally, enacting the "Middle Income Student Assistance Act" should be a top priority since the original intent of the Higher Education Act was to aid middle income families by making them eligible for the Guaranteed Student Loan.

program. The financial aid programs that exist today have been extremely successful. We only hope that this Reauthorization process makes them even more successful in order to benefit the generation of students that will follow in our footsteps.

United Council
of UW Student Governments, Inc.
Room 203 • 8 W Mifflin St • Madison, WI 53703 • (608)263-3422

Testimony on the Reauthorization of the
Higher Education Act of 1965
Prepared by
Lance Walter
President, United Council
July 19, 1991

It is my pleasure to prepare written testimony on the Reauthorization of the Higher Education Act of 1965. As a recent graduate of the University of Wisconsin-Eau Claire, a student advocate since 1986 and the current President of the United Council of University of Wisconsin Student Governments, currently representing over 140,000 Wisconsin university students, I feel uniquely qualified to provide testimony. In light of the wide reaching scope of Reauthorization I will be focusing my testimony on the alarming shift from grants to loans that has occurred over the past decade and the affect it has had on the students, families and institutions of higher education in Wisconsin. Please note, however, that written testimony on a wide range of issues concerning the reauthorization process have been submitted by other members of the United Council staff as well as students from throughout the state, since they will not be allowed to present their testimony verbally.

Federal financial aid, which comprises approximately 75% of financial aid in Wisconsin, has suffered an overall decrease, when adjusted for inflation, of approximately 3% since 1980. In that same time period, costs to attend the University of Wisconsin have increased over 130%, from $769 in 1979-1980 to $1793 in 1989-1990. Tuition has increased faster than the rate of inflation 9 out of the last 10 years. Other costs of education have continued to rise as well bringing the total cost to attend a four year public institution in Wisconsin to over $6000 for the nine month school year. Attached to the back of this testimony is the UW System Tuition in Relation to Inflation Chart which compares tuition increases to the consumer price index and the Higher Education Price Index.

Who is paying for all of this?

During the past decade there has been much confusion and controversy regarding who should, and who is, paying for college. Since the late 1970's changes in pension laws and greater availability of consumer credit to finance college have shifted the perceived responsibility of the families role in funding education for its children. Concerns over the fiscal stability of social security and the creation of the tax deferred Individual Retirement Accounts have redirected the priorities of many parents from saving for their children's education to planning for their own retirement. The fact is that more and more students are paying for a majority of expenses associated with going to college.

How are they paying for all of this?

In 1975-76 80% of the financial aid was in the form of grants, today less than 50% of the of available aid is in the grant programs. Loans on the other hand, have increased from 17% to 48% of the aid available in the same time. This has had a tremendous impact in the ability of students to obtain aid. The cutting of grants, which were traditionally targeted towards the most needy students, have forced many of the most needy students to turn to loans (if not discourage them entirely) and, therefore, there have been fewer available loans for middle income students whom the loans were designed to serve.

We are creating an entire new class of debtor citizens with this continuing emphasis on loans instead of grants. Students will not be afforded the same opportunities after they graduate as those who did not need to rely on loans to get through college. Forcing students into debt discriminates against women, who on average earn less than men after graduation, and students who choose to go into low paying professions. In addition, skyrocketing tuition coupled with a lack of grants discourage participation of traditionally underrepresented students. There is evidence that low-income people, students of color, and women are more reluctant of borrow to finance their education than other students. Grant assistance is the key to recruiting these students and the recruitment of these students has clearly become a goal for Wisconsin with the implementation of the Design for Diversity plan.

Studies show that a majority of defaulters of loans are those who drop out of school within the first two years. Front loading grants for the first two years of study may help to address that very problem, I agree. However, in order for higher education to be truly obtainable in our society, which continues to demand just that, several areas of the Pell Grant must be examined with the goal to change the system for the better. Below I have listed some additional areas that I believe would aid the students of Wisconsin if changed.

-Elimination of the calculation of the net value of the family home or farm as assets. This is the sole reason that many students do not qualify for aid. In Wisconsin especially, the value of the family farm as an asset in the uncertain, but immensely important, farm economy is unfair.

-Elimination of the double counting of savings in the base year income calculation and the asset collection. This inflates the real spending power of the student and discourages from saving.

-Examination and redefinition of independent student status Currently to qualify as an independent student you must meet one of the following qualifications 24 years or older, orphan or ward of the court, veteran, legal defendants other than a spouse, you can not be claimed by your parents for two years for tax purposes These classifications exclude a vast majority of students To claim that these are the only groups of students who are "on their own" is extremely shortsighted and completely inaccurate

-Simplify the application process and needs analysis A free common form for all financial aid would greatly simplify the process

The future of education in this country and in Wisconsin is best served by programs that work The pell grant and other grant programs have proven their effectiveness in Wisconsin, help keep the cost of higher education lower and encourage many students, including those from traditionally underrepresented groups, to seek a higher education According to the Higher Educational Aids Board of Wisconsin the average student debt load increases $2000 per year We are rapidly becoming the largest debtor nation, please help restore the grant to loan balance to what it was meant to be and help stop a generation from starting in debt

UW SYSTEM TUITION IN RELATION TO INFLATION
1979-1990

YEAR	DOCTORAL CAMPUSES %INCREASE	%INFLATION CPI	HEPI	TOTAL	CLUSTER CAMPUSES %INCREASE	%INFLATION CPI	HEPI	TOTAL
79-80	8.0	11.3	7.7	-3.3/+.3	9.2	11.3	7.7	-2.1/+1.5
80-81	12.8	13.2	9.9	-.4/+2.9	10.9	13.2	9.9	-2.3/+1.0
81-82	3.8	10.7	10.7	-6.9/-6.9	3.3	10.7	10.7	-7.4/-7.4
82-83	11.1	6.5	10.0	+4.6/+1.1	7.7	6.5	10.0	+1.2/-2.3
83-84	7.1	2.5	6.4	+4.6/+.7	6.0	2.5	6.4	+3.5/-.4
84-85	8.0	4.1	5.4	+3.9/+2.6	10.6	4.1	5.4	+6.5/+5.2
85-86	9.1	3.5	5.9	+5.6/+3.2	9.9	3.5	5.9	+6.4/+5
86-87	14.0	1.6	4.2	+12.4/+9.8	7.6	1.6	4.2	+6.0/+3
87-88	9.9	4.0	3.9	+5.9/+6.0	9.9	4.0	3.9	+5.9/+6
88-89	7.7	4.1	4.5	+3.6/+3.2	5.5	4.1	4.5	+1.4/+1
89-90	6.8	5.0	6.2	+1.8/+.6	6.9	5.0	6.2	+1.9/+.7
TOTALS	98.3	66.5	74.8	+31.8/+23.5	87.5	66.5	87.5	+21/+12.7

Clearly consistent increases in tuition well above the inflation rate have made it difficult for students of their families to continue to pursue higher education. As a result of this we experienced a greater demand for financial aid to assist in paying for the ever increasing costs of obtaining a higher education. This causes a drastic effect when coupled with the fact that throughout the 80's the Federal Government, feeling the pressure of a tremendous increase in the demand for financial aid, changed its primary means of assisting students from grants to loans. The average cumulative debt for graduating seniors in the UW system has increased from $1290 in 1980 to over $7750 in 1988-1989, an increase of over 600% in just nine years.

BEST COPY AVAILABLE

July 19, 1991

Written Testimony

ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

BEFORE WISCONSIN STATE REPRESENTATIVES OF THE HOUSE
SUBCOMMITTEE ON POSTSECONDARY EDUCATION

PRESENTED BY

MICHELE GOODWIN
STUDENT

The following testimony is presented by Michele Goodwin, a full-time student at the University of Wisconsin-Madison. This testimony is void of statistics, belaboring antecedents, which have been recognized and heard through numerous testimonies and/or newspaper articles, and charts and tables. Its purpose is to illustrate a point of view, and an opinion. As a voter, student, and a citizen of the United States of America I feel it my duty to inform my legislators of my present turmoil.

....

Where does one begin? Spewing forth bits and pieces to an untitled, and unended tragedy seems trite, however the path to the "American Dream," which now confuses and frustrates the poor and disadvantaged student, reminds him/her in a sadistic manner to "be all that you can be," and "pull yourself up by the old bootstraps." For years the unrecognized labor and sacrifice to our nation by people of color and disenfranchised groups has been magnified by the institutionalized primogeniture practices in the the United States of America, thereby locking the doors of hope to better future, which access to higher education would ensure.

The fundamental rights of United States citizens are those which ensure the right to speech, freedom, vote, and education. Already fragments of these supposedly guaranteed rights are being infringed upon. The right to education has not been given proper support and/or attention for over a decade. Our nation which rebukes and scoffs at the free education systems in Canada, Germany, and other countries, suffers from an appalling high school (and now middle school) drop out rate. The biggest laughs are those who represent Americans, and refuse to support education.

In America, to obtain even a job application without the hope of a college/university degree is virtually impossible. It seems asinine then, that certain groups of students shall be and are perpetually denied access to higher education. Is this intentional? The implications that only students with family incomes above $40,000 per year can afford the modern day costs of higher education seems scary. In fact, the tolerance of this theme which is presently enacted across the country makes many poor students wonder what will befall their children, and are the people who they have endowed with votes really representing their needs?

It is foolish to deny that examples of primogeniture are happening in our own backyards. The very wealthy comprise only 3% of the American population, shall it be their children who will inherit the land, and the jobs which support America's industries, universities, and policy making branches? We are eluding to the virtual displacement of millions of Americans, continually we flatter ourselves with thoughts of competition on an international level, while our children have lost the ability to speak and write in their national language--English.

We fight wars in countries where our high school students find difficult to locate on standard maps. Our delusion of cultural pluralism runs amuck, while adults still believe that Africa is a country, and that Latin is spoken in Central and South American countries. The proof of our need for improvement in federally financed higher educational programs is illustrated before us. We are tying our own nooses.

It must be recognized that education is a right for all peoples, and that this prophesy cannot reach true fulfillment until education is made a priority and not simply tossed to the side as an "other" issue.

Recognize the fact that our nation is loosing to itself when military spending surmounts that which is directed toward building brains. Today, the status of middle income students is being examined, which is necessary. However, the fundamental problems with federal financial aids must be address at its base level.

Currently Pell Grants are being systematically terminated, while Stafford Loans become the primary available source for financial assistance. This implies that the poorest of students shall owe thousands of dollars upon graduation. What then, do we expect for middle income students? The thought of addressing an issue so complex in juvenile terms is ludicrous, nevertheless, legislators continue to ignore the basic problem: education must be guaranteed for all peoples. How can legislators pick and choose who shall attend universities, and who shall not. Is democracy so obscured that votes are actually considered in financially numeric terms that lean toward the rich?

The greatest irony here is our commitment to the meek of every country except our own.

Obtaining an education should not be a political issue. Students should not have to protest for an education as if they were fighting in the Gulf War, and finally, if those that we have elected believe that only the middle income students deserve an American education--they should not be in office. Our goals should be to protect the minds of our people, as much as (if not more than) the oil of other nations, to insure mental as well as physical safety of our peoples, and lastly to allow fair educational opportunity to all of our children so that truly based on their own ability they can be all that they desire to be.

To the Congress of the United States,

I am taking this time to elaborate on the important mission that you face with Reauthorization. I say elaborate because I am sure that you also are aware, that the decisions made can and will effect the education process of many students in our great country. It is of utmost importance that you listen to the cries of the students and their needs. Everyday is a new hurdle that students must face to get the education that is needed to become a more reliable and prosperous person in America. Each year we hear the stories of the necessity of the secondary education to make it in a highly sophisticated world, that we live and continue to live into today. Unfortunately this demand for education can not always be supplied, due to the lack of funds available to the students today. If we are to try and regain the prestige we as Americans had in the past, as the hard working, highly educated, and ready for anything people. Then as a country we are going to have to be able to make sure that all Americans can get the help that they need, to achieve this once taken for granted amenity.

In our society today credit is a very easy thing to obtain and keep, as long as you pay that minimum amount every month. This is not what is needed; more ways for us as Americans to get further into debt. We need to reevaluate the loan process and take a closer step to allocating more funds into grant programs. There is nothing worse than finally receiving the diploma and then a month latter getting the payment book for the student loans. This can and does haunt many past students in our country. You graduate get a job, then marriage comes and you want to fulfill yet another American dream with owning your own home. The problem with this is, you have this large loan from school and many times, this make it difficult to obtain the approval of the home loan and from fulfilling that dream.

I do not ask for handouts, I ask for what any foreign country may ask for, and that is aid. Aid in supplying our future leaders and seekers of the American dream the education that will get them the knowledge they need and deserve to compete in a world that is more and more competitive everyday. If we really care about the future of this great land. Then we will do all that is necessary, to help those that want to help themselves. Acquire the tools that are essential in becoming a valuable part of society.

Sincerely,

Walley J. Wargolet Jr.
V.P. UW-Parkiside
Student Government

TESTIMONY FOR THE HOUSE SUB-COMMITTIE
ON HIGHER EDUCATION

.ERIC R. STOLLER

UNIVERSITY OF WISCONSIN--GREEN BAY

Equal access, equal opportunity, affordable. What do all these words have in common? They apply to the ideal picture of higher education that I, and I hope a lot of other Americans hold. Unfortunately they are not words that describe universal truths in higher education today. Today we stand at a critical impasse in the world of higher education, that impasse is skyrocketing costs and painful decreases in financial aids to meet these costs. This year marks a potentially exciting time, for it is this year, as you all know, that we have the power to change the *Higher Education Act*. I write this testimony today, as a student that receives no financial aids, and never has. I was considered ineligible because -- on paper-- my parents made to much money. However there is little point in complaining about the past, instead I want to see a brighter future for students like myself and especially those less fortunate than I so that they to may achieve the dream of quality higher education.

As a student activist and leader I keep myself well abreast of issues effecting students on all levels. None is more important than this years reauthorization process. I urge all the members of this committee and indeed all federal representatives to heed the suggestions of students. We are currently involved in the educational system and we experience first hand the problems and prospects of students. I have, for instance, seen many of my friends and classmates have to drop out because they could not afford to continue their education. At the same time they all knew that they could not afford to quit either, as they knew that a truly good job and career is increasingly hard to attain without a good education.

So what do we, the students need from the Federal Government this year? We need your help and cooperation in building a strong educational system for the future. I know you will hear (I should say, see because only one of us was "allowed" to talk) testimony from many of my fellow students on things students need from this years reauthorization. I want to address the problem of the loan grant balance (imbalance). When the Higher Education Act was first established in the 1960's about one third of the money was earmarked for loans while the rest came in the form of grants and work-study. Unfortunately this ratio has taken a turn for the worse in the past 20 years. Today almost 70% of federal financial aid comes in the form of loans. This must change. An average student depending on loans to finance an education can be in debt well over $30,000 by the end of four years. This is fantastic amount of money, especially considering that many loan recipients will spend a considerable part of their income over the next 10 to 20 years paying back these loans, in effect be punished for seeking to better themselves. Another proposal that has come from the federal government suggests heavily cutting work-study. This would seem to be a very foolish move. If the federal government is strapped for grant money, and cannot get back its loans from defaulting students, this is the last program that should be cut. Work-study is a good deal for universities and colleges across the country. It helps them provide lower cost services through subsidized employees, plus it helps students get to know and understand the workings of their University.

Student leaders like myself across the country are working and will continue to work very hard to see positive changes come out of the reauthorization process. These are just a couple of the proposals we support to make higher education truly accessible to all people. Education is a right, we must all work very hard to insure that that right is available to all. The cost of an education is not going to go down, we must make sure that the financial aids needed to attain that education do not go down either. Reinstate a balance between grants and loans, provide more funds for work study, ensure financial assistance for middle income students. Without these changes higher education will become less and less accessible for a larger proportion of the population. In closing I think Credence Clear Water Revival said it best in a song called "Fortunate Son" talking about the disparities between the rich and the poor... "I ain't no Senators son".

WSA

Testimony for the Reauthorization of the Higher Education Bill

Mario D. Mendoza
2110 University Avenue, #103
Madison, WI 53705
(608) 238-6582

I would like to thank Congressmen Klug, Gunderson, and Petri for allowing me to provide testimony on the reauthorization of the Higher Education Act. I appreciate your interest in holding a field hearing, thus allowing me to express my concerns to you. My name is Mario D. Mendoza. I am currently a senior at the University of Wisconsin-Madison, and I am majoring in Psychology and Political Science. In 1988 my parents, my younger brother, and I moved to Madison from San Juan, Puerto Rico. At that time, my older brother and sister had attended UW for 3 and 4 years, respectively. By then my parents had incurred a considerable amount of debt, since they had to borrow ever-increasing amounts of money in order to cover my older siblings' educational costs including out-of-state tuition. There was virtually no federal or state financial aid available for them; that is, with the exception of a few loans. In addition, my parents' decision to move did not come at a low price both emotionally and economically. Our family was leaving behind our native soil, our friends, and our extended family. We had to do this in order to escape the terrible political corruption that so much had harmed us in the past and also because we were trying to avoid the certain financial doom that awaited us in Puerto Rico. They came here in search of a better life for all of us. My mother was fortunate enough to get a teaching job in Milwaukee a week after we moved, but my father remained without a job for one year.

These were the conditions under which I began my freshmen year at UW-Madison. At that time, I was still considered a non-resident of Wisconsin, so I had to take a 35 hour/wk. job in order to stay afloat. A year later my residence status was changed to in-state resident, and this alleviated my parents' financial burden somewhat. But still, just like my older siblings before me, I had to use loans to partially help me and my parents cover my educational costs. The way I see it, the borrowing of money only amounts to a borrowing of time. In no way is this solving the central problem we are facing: The need for a shifting of the grant/loan proportion in favor of grants.. Again, just like my siblings before me, I will be facing a considerable amount of debt immediately after I graduate, and this comes in the way of the promise of a better life that a higher education is supposed to offer. As you may be aware of, 10% of student loans are lost through default because students just can not pay for them. Therefore, the prevalence of loans above grants not only affects us students but is surely harming the government.

During the three years that I have attended college, I feel I have gained a lot as a man, as a student, and also as a leader. In addition to the wealth of knowledge that I have acquired in the undergraduate curriculum, the University experience has helped me develop my leadership skills. I have been a part of many student organizations and committees such as: the Multicultural Council, Unión Puertorriqueña (Puerto Rican Union) of which I am a board member, Wisconsin Union Directorate, etc. At present time I am the Racial/Ethnic Affairs Director for the Wisconsin Student Association (WSA). But despite all my academic and leadership accomplishments I am now facing yet another financial obstacle that is jeopardizing not only my position as Racial/Ethnic Affairs Director but my future as a student. Right now my chances of getting any financial assistance whatsoever -even loans- is very grim. This is because current financial aid guidelines are not sensitive to my situation. As I explained before, my parents have had to accumulate a large amount of debt in order to put my brother, my sister, and myself through college. Also, our moving to Wisconsin did not come with a small price tag. However, the financial aid guidelines do not take these unavoidable facts into account. They just figure that if my father and mother are both working, then I have no financial need. Clearly this is ridiculous and unfair. I am convinced that I belong in college; there is a lot this university can give me, but I can offer this university a great deal in return. That is why I ask you to please do all you can to help the existing financial aid programs be more sensitive to situations such as mine.

Finally, I would like to restate how greatful I am for the opportunity you have given me as well as other students. I am confident that you will give careful consideration to our concerns and that appropriate action will be taken.

Mario D. Mendoza

UWEC University of Wisconsin-Eau Claire
Eau Claire, Wisconsin 54701

WRITTEN STATEMENT OF THOMAS J. TRINKO
STUDENT BODY PRESIDENT
UNIVERSITY OF WISCONSIN-EAU CLAIRE
EAU CLAIRE, WISCONSIN

FOR
THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
FIELD HEARING IN MADISON, WI, JULY 19, 1991
CONGRESSIONAL SUBCOMMITTEE MEMBERS
REPRESENTATIVE SCOTT KLUG, DISTRICT #2
REPRESENTATIVE STEVE GUNDERSON, DISTRICT #3
REPRESENTATIVE THOMAS PETRI, DISTRICT #6

Accepting the Challenge of Excellence

PROBLEMS FACING "MIDDLE-INCOME" STUDENTS

INTRODUCTION

Today's "middle-income" student faces an especially difficult predicament--he or she is too well-off to qualify for a sufficient amount of grants and loans, yet is not wealthy enough to bear the cost of his or her education. While many "middle-income" students are able to finish their educations in a timely fashion, several factors can stretch out the education process, and even can lead to the termination of the student's college career. Following are several problems and recommendations, based upon my own experience, and the experiences of several of my constituents. It is not my intention to suggest that the problems of the "middle-income" student are either the sole or most pressing difficulties with Title IV legislation. Instead, I hope to suggest that this area merits considerable discussion and action by this body in the upcoming months.

PROBLEMS WITH CURRENT NEEDS ANALYSIS FORMULA

Although many "middle-income" families show adequate incomes for the support of a college education, current financial aids forms are ill-equipped to handle the unique problems facing "middle-income" students. First, the form does not recognize consumer indebtedness as a possible factor hampering family budgets. This problem is particularly acute among "middle-income" families, and may render the formula-derived Family Contribution inaccurate. Second, the form does not allow for the possibility that parents from "middle-income" families might not support their child's college career. Many families are unwilling to sacrifice to the level of the expected Family Contribution. The root of the problem is that the formula for determining independent status is unfair and does not allow the financial aids director enough latitude in extenuating circumstances. Third, the use of home equity on the principle dwelling as a factor in the needs analysis formula unnecessarily punishes home owners, especially those in areas where house values may be inflated.

RECOMMENDATIONS FOR ACTION

First, Subsidized Loans should be expanded to families with incomes below $45,000. This would assist many "middle-income" families with the aforementioned problems of consumer indebtedness and poor cash flow in their effort to provide their child with an education. Second, home equity on the principle dwelling should not be considered as a factor in the needs analysis formula. This would assist many families who currently undergo the double-whammy of high house payments and inadequate support for their child's college education. Finally, the director of financial aids should be given greater leeway in the determination of need in individual cases. This would help to eliminate the problems of those who are unable to utilize the system because of unnecessary red tape.

SUMMARY

The financial difficulties of the "middle-income" student are unique. There are several ways that these problems could be diminished through legislation at the Federal level. These are expanding subsidized loans, eliminating home equity from the determination of need, and granting local financial aids directors greater control.

Madison Urban League, Inc.

151 East Gorham Street
Madison, Wisconsin 53703

Telephone (608) 251-8550

An Affiliate of the National Urban League, Inc.

July 18, 1991

Dear Congressmen Klug, Petri, and Gunderson:

I am writing to you regarding the reauthorization of the Higher Education Act of 1965, which your committee is now reviewing. In our position in the community we are reminded everyday of the importance of higher education. Many of the people that we work with have few job skills, little education, and quite often low literacy. One of the factors which contributes to this problem is the fact that historically, colleges and universities have been especially inaccessible to the black community. Most people of color in our community never even consider college as an option. The prospect of going into debt many thousands of dollars is not appealing. Therefore, even if loans are available, few will take the financial risk. For example, out of 40 low-income children in our Pre-Employment Program, a full [illegible] felt that they would not attend college because of a lack of funds. For these children, college is perhaps one of the only means whereby they can escape from the cycle of poverty and become valuable, contributing members of society. For this reason I encourage you to work toward a just balance of grants to loans, and to sustain the amount of these at a level which is consistent with rising tuition.

Sincerely,

Jon Crammling
Director of Operations

THE STUDENT ASSOCIATION
OF THE UNIVERSITY OF WISCONSIN OF MILWAUKEE
2200 E. KENWOOD BLVD.
UNION E. 351
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SA

July 18, 1991

To Members of the Subcommittee on Postsecondary Education:

As an African- American student at the University of Wisconsin - Milwaukee and a resident of the state of Wisconsin, I have developed some sincere concerns about the manner in which our government's prioritizes education. I question it's commitment to the investment of educating the youth of this country, especially those of color.

Education has always been a top priority in my family. Unlike many people of color, I was college bound from birth. My family took great care to insure that I was exposed to every positive educational and cultural opportunity there was available, from seven years of violin lessons, to endless workshops and seminars about how to study for college admission test, college enrollment procedures and financial aid. So the question before me was not whether I would go to college, but where and how.

After choosing UW - Milwaukee, my next point of focus was directed toward funding my education. Fortunately, I did well academically in high school and was able to acquire several scholarships during my senior year. I thought that that would take care of the *where* and the *how*, but I would later find out that I was greatly mistaken.

Three years later I still hold a college education in very high esteem, but the price of that respect is testing my resolve. After many of my scholarships depleted and my income failed to accommodate the rising cost of tuition, I found that the only way that I could continue at UWM was to take out Stafford Loans. To this date this amount is over $5,000 and I still have another year and a half before I complete my undergraduate studies. What is even more startling to me is that Milwaukee's Financial Aid Department has deemed it necessary to take my only remaining scholarship and apply it toward the balance of my loans, because they have decided that it would "surpass my need!" This same department and the national ACT board refuses to recognize me as an independent student, despite the fact that I have been living on my own, supporting myself for the past three years and that my mother, a single parent of two, is still struggling to pay off debts incurred by a divorce. So in all practical terms, it does not "pay" to be a middle class, goal oriented, hard working student in this country.

With this in mind, it is not surprising that during the mid-1970's the proportion of middle-income African-Americans enrolled in college was equal to white middle income youth, but today they are at a higher risk of dropping out of college than their peers in the low-income bracket. It seems that once again American is putting a price tag on the value of human life when it comes to persons of color. Our country has to empower itself with the ability fairly and justly deal a growing population of people who belong to a variety of ethnicities. In order to be successful in that challenge we must realize that our salvation comes from the enrichment of minds, as well as the accumulation assets and resources. I believe that Representative William Gray said it best...

"...We have to develop strategies to get us out the economic downturn and those strategies have to be a *combination* of things. One, we have to try to get interest rates down, so it's easier to get money circulating in the economy. Two, we're going to have to make *new investments in the human infrastructure* -retraining human beings so that they can be productive in a society that is going through a transition."*

Gentlemen, I hope that you would consider speaking to students such as myself, who are seasoned pros at dealing with the red tape of financial aid and administrative back talk, before you make your final conclusion concerning the 1991 Reauthorization Higher Education Act. I am positive that you would find the experience eye opening and "educational." You will also find that in 1991 a student must have quite a bit of courage and determination in order to penetrate the impediments that our distinguish institutions of higher education places before them. Good luck.

Respectfully submitted,

T.M. Johnson
UW-Milwaukee Student Association
Vice-President
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Milwaukee, Wisconsin 53211
414/229-4366

* Emerge March 1990, Gordon

United Council
of UW Student Governments, Inc
Room 203 • 8 W Mifflin St • Madison, WI 53703 • (608) 263-3422

TESTIMONY FOR THE HEARING ON REAUTHORIZATION

JULY 19, 1991

Kathy Kingery
Legislative Affairs Director
United Council of UW Student Governments, Inc.

I would like to thank the committee for this opportunity to prepare written testimony for this hearing on the Reauthorization of the Higher Education Act of 1965. As a recent graduate of the University of Wisconsin--Madison, class of 1991, I would like to share with you my experience as an undergraduate in the University system for a period of five years.

I entered the University of Wisconsin coming from a rural, consolidated school district of only 300 students in Southwestern Wisconsin. While I graduated 9th overall in a class of 60, I found my education at such a small high school was inadequate when I entered college. As a result I spent an extra year in my planned four year program in order to make up for previous gaps in my education.

The fact that I actually made it to such a quality institution as Madison was remarkable considering the lack of resources in my community. Again out of a class of 60 students only two opted to go to Madison. Less than half of the class were able to continue on to post-secondary education. Had it not been for my own determination and initiative my high school guidance counselor would have convinced me to attend a smaller school in a nearby community with fewer educational opportunities. I would also like to point out that my guidance counselor went by the title "Coach." Pre-college advising and financial aid information were not his forte. College prep courses were not a factor in my high school's curriculum. Considering all that has been previously stated I think of myself as fortunate to have graduated from such a reputable school as Madison.

However, in order for me to even attend college I was required to place myself far in debt. Student loans were the only option as I did not meet the requirements for grants. At the end of five years (an extra year was spent making up for gaps in my high school education) I now find myself $10,000 in debt from student loans. Over the course of 10 years an additional $4,000 will have accumulated in interest alone. At the present time we find ourselves in a recession and many of my classmates continue to struggle in the job market while many will remain unemployed much longer than me. I was fortunate to find a job within two months of graduation. However, my student loan debt is greater than my annual income.

Again I was fortunate compared to many other students in that I did receive financial support from my parents. While they were not able to contribute to my tuition payments (their two-income earnings average only around $38,000 annually) they assisted me in other living costs such as rent, food, books, and miscellaneous fees. Since my first year of college I have held a part-time job averaging between 20-30 hours per week and full-time during the summer. As a result the amount of time I had available for studying was cut and often I was required to set my class schedule around my work schedule. With such an opportunity to attend the University of Wisconsin--Madison, it was unfortunate that I was unable to fully benefit from that instiution due to financial contraints.

For rural students in the state of Wisconsin education means economic advancement and a chance for the future. However reaching such a point often means overcoming many obstacles which are not factors for most economically advantaged, urban students. Access to educational opportunities and quality education are two of the main problems. In most rural school districts college advising is almost non-existent, and as in my case, I was the first generation to attend a post-secondary educational institution. Encouragement to strive for higher education was not part of my familial or secondary educational experience.

For a state with such a large rural population it is important to fully examine the needs of rural students during the process of Reauthoriztion. What is needed is an increase in pre-college programs and changes in the types of financial aid awarded. Representative Sawyer (D-Ohio) has introduced the "Student Counseling and Assistance Network Act of 1991" (H.R. 1524). This bill would allow for publicity campaigns to encourage students to go on to post-secondary education, training for high school counselors on the financial aid process and college advising, and a computer network for greater access to resources. Each of these three aspects would greatly impact the accessibility of a college education for rural students. United Council would like to encourage you to support this bill.

In addition we would like to encourage you to reexamine the balance between grants and loans. There has been a major shift from grants to loans since the 1980's. This shift has left a tremendous burden on the backs of many students, not just rural students. As a result higher education has become an option only for those who can afford it. While the need for higher education increases to keep the United States competitive in the world market, the accessibility of such education has decreased significantly. We now have a generation of young adults who are debtors even before they hit the job market leaving us in an even more severe financial crisis. Is this how we want to see our system of higher education continue to operate?

Although this is my personal experience it reflects similar situations of other rural students whose voices will not be heard today. As a member of the United Council staff, I have had the opportunity to speak with students from across the state. I have heard many stories from other university students that echoe my own. It is unfortunate that goegraphy plays such a major factor in access to educational opportunities, but these are the realities facing many students in our state.

July 18, 1991

To: The Reauthorization of the Higher Education Act
Committee

From: Stacey Li Collver, UW-M Student Association

It is with great pleasure that I take this opportunity to provide a personal testimony of the need for student financial aid in our country. The issue of higher education funding is critical not only to the personal lives of the students involved, but also to the ideals that our nation, according to our Constitution and nationally-recognized civil rights leaders, shall be committed to striving towards: justice and equal opportunity for all.

Education is vital to the well-being of individuals and the growth of a the world power that the United States has become. If we do not invest in providing a quality education to our citizens, I do not see any hope for our survival. We need the talent, expertise, and inspiration of our students, not to mention the cultural and economic foundations they will continue to build after graduation. By investing in our students, we are investing in our future, putting trust and belief in the hopes of ambitious young minds who will be able to reciprocate that support many times over. The mantle of leadership will fall unto the very shoulders of the students we support.

I am dismayed at the current system of financial support our country provides to students, as well as the Highlights of President Bush's proposed Education budget for the fiscal year 1992, as outlined in the February, 1991 Legislative Update newsletter of the United States Student Association. To emphasize the former point, I will share some personal experiences which I hope will alert the Higher Education Act Committee to the alarming need for the improvement of our present financial aid system.

Soon after scoring [illegible] the PSAT standardized test my junior year in high school, I was recruited by many of the most prestigious universities in the United States. I graduated from Oshkosh North High School with numerous academic and extra-curricular awards, which carried me through the admission gates of Bryn Mawr College, a private women's college which bears an annual fee of over $15,000 for tuition, room and board. I was able to attend this school from 1985-87 with [illegible] of outside scholarships, Bryn Mawr Grants, Pell Grants, Guaranteed Student Loans, on-campus work-study funds, contributions from my parents, and savings from my summer [illegible]

I loved the school for its unique single-sex atmosphere, the doors it opened, and the people I met. I joined extra-curricular activities, held a work-study jobs, and maintained a gradepoint of [illegible]

A knee operation during the summer of 1986 kept me from working and financially contributing to my education

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I lived with my mother that summer, who was earning less than $15,000 per year and supporting two children. The situation put increased pressure on my father, who was taking the sole responsibility for financing my college education. Throughout the school year, I got repeated accounts of the financial burden I was causing the family, and in the fall of 1987 I took a leave of absence for one year.

In that year, my sheltered world fell apart. I moved 14 times, due to family, money, and health problems, and yearned for the security and hope that Bryn Mawr offered. In the fall of 1988, I returned to Bryn Mawr, again putting pressure on my father for college money.

Bouts with depression forced me to drop out, and I went back to live with my mother. In the spring of 1989, I re-entered college at the University of Wisconsin-Oshkosh, and dropped out again for the same reasons.

At this point, I was considered financially responsible for my education, and as a Wisconsin resident, I chose to take advantage of the in-state tuition at the University of Wisconsin-Milwaukee in the spring of 1990. Due to a late registration, however, I did not receive any financial aid. I dropped down to two classes, worked four part-time jobs, and ended up flunking one of my classes mainly because I skipped many sessions for job interviews, and didn't have time to study because of my work schedules.

During the summer of 1990, I worked in several canneries in Alaska, and did not receive registration or financial aid materials in time. I took out an emergency loan, moved several times for cheaper rent, and started a work-study position. Due to the lack of financial aid, I paid for the tuition with my summer savings.

I am still attending the UW-Milwaukee, and after several weeks of delay, I have received the first disbursement of my student loan, and am awaiting the second. In response to the delay, I took up several part-time jobs, including baby-sitting for a fellow UW-M student who has two children and is on Federal aid. I now work close to 50 hours per week, attend school full-time, and participate in extra-curricular and volunteer activities in the community.

As you can see, I have not had an easy time getting through college financially, and am very dependent upon federal funds. If it were not for federal funds, I would not have been able to attend Bryn Mawr, or the University of Wisconsin, strictly because of my financial status. I am more than willing to put all that I learn and experience back into my community through politics and volunteer activities.

The doors that will open to me once I graduate will help me overcome the barriers of discrimination I face everyday and hope that our government is willing to make the effort to abolish.

What barriers? Somewhere in the archives of our government documents, there is a paper that states, "All men are created equal." I am female, and am not blind to the fact that women earn just over half the salary that men do for comparative positions. Nor am I unaware that women make up one-eighth of our Supreme Court, where the most important decisions on federal policies are made. This means I will need twice the education as any man to outweigh the present social job discrimination.

I am minority, yet because I am Chinese, I do not qualify for minority scholarships, aimed to help Blacks, Hispanics, and targeted Asian groups. In a study done at Philadelphia's Chinatown in 1987, over 90% of the children at a Chinese school had two working-class parents, and over 90% had dreams and parental expectations of being doctors and lawyers. These kids are believing in the American dream, believing that they can "make it" through hard work and a lot of good education. Yet when they grow up, they will face the same discrimination that other minority groups encounter, with the added handicap of unfair admissions policies in some of our top universities, institutions known for limiting the number of Asians, who "are getting into the schools and spoiling the atmosphere for Caucasion students." As Chinese students, we face problems of prejudice without the aid of minority scholarships. We are not White, and cannot ignore the fact that we are of a different color than majority race in American society, and subject to much prejudice and lack of respect, such as the insults I received yesterday as I was working for a Chinese restaurant. This ugly incident reminded me of racism which still exists in the United States. It re-awakened me to my physical identity and reminded me that I will need twice the education as any White person to outweigh our cultural prejudices.

No one can tell me I am immoral because I am Chinese, but in some states I can be fired for being a lesbian, or discharged from our country's military. The financial benefits of ROTC which have helped many students are not open to the Gay community. Without this option, I will need twice as much financial aid, and must work many more hours, with perhaps the possiblity of getting fired with no means of federal legal protection. This means I will need twice the education as a straight person to outweigh mainstream society's opinions.

Like every student, I have many dreams. I am idealistic, and want equality to come faster . But these dreams will only come true with the help of federal funding for education.

I believe in the value of education. I have felt the merits of spiritual rejuvenation at the intellectual activity, and have seen the leverage a quality education can give an individual of any minority group. In addition, I feel that education can provide a foundation of understanding and help form a solid base for a freer society that the United States needs to uphold.

The current federal budget has already provided many students with educational opportunities which would have otherwise been unavailable to them. Yet we must constantly strive for improvement! Furthermore, WE CANNOT AFFORD CUTBACKS! There is so much to be done, and we cannot afford to discriminate, or disregard our people of so many backgrounds with many valuable skills and spirits. An investment in education is an investment in the people, and it is the people who are the strength of our nation, and the students who will be tomorrow's leaders. On behalf of all students, I urge you to support federal funding for higher education.

July 17, 1991

Dear Wisconsin Members of the Subcommittee on Post Secondary Education,

I am a student from Wisconsin attending the University of Wisconsin Milwaukee. My parents cannot help with paying for my education. I worked throughout my high school career, while maintaining a high grade point average. My good grades along with the extra curricular activities in which I was involved earned me some scholarships. I have also received college work study and a small Pell Grant. Nevertheless, it seems that each year the amount of assistance gets smaller, and is not enough to pay to attend UWM.

I am writing to let you know that there are, indeed, hard working, good students who still cannot afford a higher education in Wisconsin and around the nation. We need continued commitment and support from members of Congress who appropriate higher education funds. Without a strong commitment to higher education on the federal level, I am afraid of what will happen to middle class students, such as myself.

In my opinion, an educated population cannot be paralleled in the potential benefits for the entire United States. With rising costs of education, the Congress needs to appropriate enough funding to ensure that students who want a higher education are not denied access because of a lack of financial support.

Thank you for your time and consideration.

Sincerely,

Jason L. Bretzmann

Jason L. Bretzmann
3037 N. Maryland Ave.
Milwaukee, WI 53211

1309 Spring St., Apt. 206
Madison, WI 53715

July 19, 1991

Dear Representatives:

Thank you Representatives Klug, Gunderson and Petri for allowing me to submit this testimony concerning the Reauthorization of the Higher Education Act of 1965.

I am a senior at UW-Madison, studying astronomy and math. As is true with many of my fellow students and friends, financing my education has not been easy. By the time I graduate, I will be between $5,000 and $10,000 in debt to my parents. As middle-income earners, they were eligible for the PLUS loan for parents which they took out last year so I could stay in school. Little did we know at the time what a bad bargain this loan truly is. Although repayment can be deferred until after graduation, the government does not subsidize the interest, which continues to accrue and build up the principal. By the time repayment begins, it will take years to pay off the interest before touching the original principal—keeping in mind that interest is applied to the current balance on the loan (including all the back interest), not just the original principal. In the end, the student (even if unable to finish her/his education) is left paying a plethora of profit-seeking bankers perhaps for a large part of their life for what should be a completely government-subsidized right—their education.

I am involved with the United States Student Association (USSA), the only licensed and recognized national student lobbying organization. At UW-Madison, we have a USSA Campus Chapter working on USSA campus-related student organizing lobbying efforts. We proudly have a very diverse membership with one particular common goal: the improvement of educational access for all students. As our representatives in Congress, we ask you to reverse the trend over the last fifteen years of making public education a privilege for only those who can *a priori* afford it. During this year's Reauthorization process, please keep in mind that we can work towards the elimination of many problems in our society only through education. Not education for the few—but for all. Please work towards making this education more accessible, for example by emphasizing and increasing the subsidization of grant programs (like the Pell Grant and SSIGs) rather than loan programs, by making the Pell Grant an entitlement, and by winning government subsidy for the interest on existing loan programs (like PLUS and ICL) so students will not be debtors for the rest of their lives.

In conclusion, it is clear that access to an education is one of the most important issues facing us today. As students, we hold you—our public representatives—to a rigorous standard. We will NOT be satisfied with compromise on our educations—our futures!

Sincerely,

Brian J. Williams

July 19, 1991

WI Representative
on the Postsecondary
Education Committee

I am a student at the University of Wisconsin - Milwaukee and a member of the Student Association. I am writing this letter to encourage you to vote for a financial aid package that makes education accessable to all students. This would mean a package that is generous with grants instead of loans.

Because of the current financial aid package many students must resort to other measures to fund their college educations. I have been one of those students. At age 17, I entered the United States Army Reserves in an effort to support myself through college. There have been many drawin making this decision. Firstly, the training involved caused me to have a one year setback in starting my education. Secondly, during the Gulf War, myself and many other student reservists suffered academically in dealing with the threat of having to go to war. We are all recovering now.

Please support a plan that makes the choice of getting an education an easier one for all people.

Sincerely,

Bethamie L. Wyatt

Bethamie Wyatt
UWM Student Association

July 18, 1991

Dear Members of the Sub Committee on Post Secondary Education,

I am a lower middle class student attending the University of Wisconsin - Milwaukee. As a Senior, I have depended on no other source but part time jobs, small Pell Grants, and Guaranteed Student Loans to pay for my secondary education. I am writing you to urge that federal spending on education be of the highest priority.

Along with the decreasing amount of grants to college students, I believe that the application process is too extensive and tedious. The needs analysis does not need to take place every year. Students' incomes during college do not usually change enough to warrent filling out a new, extensive application every year unless they request it.

Another important point for me is that the needs analysis does not calculate my need. It calculates the need of my parents who are not funding my education. I, ultimately, am the one who is getting the education and paying for it.

I hope you take this letter into consideration when you review the application process and the effectiveness of the needs analysis process. A simpler application process and a more efficient way of distributing financial aid is needed.

Sincerely,

Ric Vandenberk
3018 N. Maryland
Milwaukee, WI 53211

Ric Vandenberk

As a student at the University of Wisconsin at Milwaukee, I am deeply concerned, as are most other students within the UW System, about the level and quality of funding for financial aid programs. Throughout the Eighties, economic pressure has been placed upon Wisconsin students by two opposing forces; the rising cost of higher education and the economic reduction of financial aid funding. Combined, these two forces have limited the economic access to post-secondary institutions throughout the state. Both forces are inherently tied and cannot not be separated without loosing sight of the larger economic picture.

Higher educational costs include those costs which students must meet in order to obtain a higher education. These costs not only include tuition but also housing, food and books. It has been shown that tuition, within the UW System, has increased at a rate above the consumer price index for eight of the last ten years. While this trend was greatest during the New Deal Era of the early and mid Eighties, it still continues in a positive fashion placing greater economic pressure upon students. This economic pressure in turn, creates a greater need and thus demand for financial aid. However, when financial aid spending on the federal level remains constant, it has the same effect as a decrease in federal financial aid spending. Therefore, there exists less monies in constant dollar terms for students. Consequently, students do not receive the same level of assistance from the government in proportion to their tuition or are denied funding.

Yet there is a secondary effect which excludes tuition but includes all other costs of higher education (housing, food, books). During the two years in which tuition had increased less than the consumer price index (1981-1983), the US suffered from extremely high inflation. This pushed up the consumer price index, the economic power of dollar decreased, and consequently the spending power of federal financial aid. Therefore, the increasing rate of inflation increases the costs of housing, food and books which in turn reduces the spending of Federal funds.

The greatest economic reduction of federal financial aid is due to these two major economic issues. In the first case, tuition increases have directly placed greater demand upon federal financial aid. It has not been shown that federal financial aid spending has kept up with this demand. In the second case, inflation increases have directly affected spending power which in turn affects the real dollar value of the federal financial aid funds. In both cases an economic reduction in federal financial aid has occurred and is continuing to worsen as these forces maintain their positive trends.

The last economic issue, which I would like to raise concerns investment. Within any industry, there exists investments in the infrastructure of that industry. Highways, railways, telecommunications, and mass transit are just a few examples in which the United States has invested funds to maintain and improve the economic welfare of its businesses and industries. I consider education, as another infrastructure cost. As we move towards a global economy, we need to assure that the populate is well educated. A post-secondary education is fast becoming a necessity rather than a luxury. Only through a well educated populate may the United States continue to be an economic power and compete with other soon to be economic superpowers. It is for this reason that economic access to post-secondary institutions is both vital and necessary. I am proud to be a Wisconsin resident who still believes in the Wisconsin Idea. That idea which supports access to education for those wishing to obtain it. Unfortunately, this idea is quickly becoming a dream of the past and with it the economic dreams of our country.

Formally submitted, July 18,1991

Craig Kammholz
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TESTIMONY FOR THE CONGRESSIONAL SUBCOMMITTEE ON POSTSECONDARY EDUCATION

on

THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

submitted by

TIMOTHY R. ROELLIG
EXECUTIVE DIRECTOR
FOR UNITED COUNCIL OF UW STUDENT GOVERNMENTS, INC.

My name is Tim Roellig. I am one of the lucky ones. The federal financial aid system that exists today provided well for my higher education. Between the years of 1987 and 1991, while an undergraduate student at the University of Wisconsin-Green Bay, I received over $14,000 in federal financial assistance. I was given a seemingly free ride--courtesy of Uncle Sam. Not quite free, however, as my ride through higher education was a consequence of the divorce of my parents.

In the middle of my senior year of high school, my father divorced my mother. My mom was left with three kids to support--two of high school and one in college. Mom's an RN at the local hospital and made a little over $22,000 per year. She worked hard--long hours and weekends--to support her children. But it soon became apparent that no amount of hard work would allow her to send me to college, much less continue to pay the high tuition costs of the private college my brother attended on a partial football scholarship. Consequently, I applied for financial aid.

To tell you the truth, I didn't expect much. Before the divorce, my parents combined income was well over $50,000 per year. My friends and acquaintances whose parents earned comparable salaries received very little financial aid (and, consequently, had to work throughout their college careers). Besides, my brother had applied, and he received only a small loan--barely enough to cover living expenses. But what a difference a divorce makes! Now that my family was broken apart, I qualified and received it all! No loans, mind you, but grants--free money!! The state and federal government were going to pay for my education in its entirety--from tuition to room & board. Not only would I not have to have four part-time jobs to stay in school, but my mom wouldn't have to kill herself working so much overtime. It couldn't get any better, I thought.

Then I got to school and was pleasantly surprised. In my four years of college, I was able to participate in many things. I was able to act in musicals, sing in gospel choir, become an RA, and be involved in student government. It was, to say the least, an excellent experience. One that many of my friends, however, could not. Instead, they were forced to work, sometimes full-time, to pay for school. They could afford to do little other than work and study. Being involved in extracurricular activities was out of the question.

My collegiate experience was superb. I was able to both earn a degree and broaden my perspective through extra curricular activities. All this due to grants and my hard work. The irony is that had my parents stayed together, I would have had to work through school, sacrificing the chances that I capitalized on. To me, this doesn't seem right.

The federal financial aid system needs to be re-tooled to allow middle income students the same kind of experiences

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that I was so lucky to have. It is time that the Federal government realize that a college education is more than reading, writing, & arithmetic. That what happens outside the classroom, in clubs and organizations, is equally important as homework in the development of a well-rounded student and citizen. You, our representatives, need to realize these important factors and act to insure that every person is allowed the same opportunity to excel. No one should _have_ to be in poverty, _have_ to be at a disadvantage, or _have_ to come from a broken family in order to benefit from financial aid. Thank you.

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